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No. 32,015 - 05/86 ** PARIS, MONDAY, JANUARY 27, 1986 ESTABLISHED 1887

Rebels Seize Capital In Uganda, Dissolve Military Regime

Reuters

KAMPALA, Uganda — Rebels of the Ugandan National Resistance Army seized Kampala, the capital, on Sunday. Their leader, Yoweri Museveni, said he had dissolved the ruling Military Council and would establish a new government.

Kampala fell to the rebels after street battles that began Friday between the guerrillas and government soldiers. Hundreds died on both sides.

The bodies of the dead littered the streets as thousands of Ugandans came out of their homes to celebrate the takeover by guerrillas who have fought for power for five years.

Mr. Museveni, speaking on Radio Uganda, said he had dissolved the ruling Military Council headed by Lieutenant General Tito Okello. The radio station resumed broadcasts Sunday for the first time since Friday afternoon.

The guerrilla leader said he would soon establish a broadly based government after consulting with all parties. In the meantime, he said, an interim administration that has been running the guerrilla-controlled area of southwest Uganda for several months will administer the Kampala area.

[Mr. Museveni warned, according to a radio broadcast, that the "liberation of Kampala" did not mean an end to the war, The Associated Press reported from Nairobi.

[He said that thousands of poorly trained soldiers from "previous criminal regimes" were still at large and demanded that they be disarmed. Soldiers loyal to the faltering military regime still control the northern part of the country.]

Eriya Kategaya, a guerrilla spokesman in Nairobi, said at a news conference: "We regard ourselves as the government of Uganda. We are in effective control."

He said the guerrilla organization was ready to talk to General Okello "as a person," not as a government official. The general came to power after the army overthrew President Milton Obote in July.

Mr. Museveni accused government troops of committing genocide and said the culprits would be punished.

He also announced the suspension of foreign exchange dealings.

[The U.S. State Department said that about 150 Americans in Uganda would be evacuated by aircraft to Kenya beginning Tuesday or Wednesday, The Associated Press reported from Washington.]

Mr. Museveni, a former defense minister, was to have become vice chairman of the ruling council under a peace pact signed with General Okello in Nairobi on Dec. 17. But the guerrillas and the military

(Continued on Page 3, Col. 4)

Reuters

Violent Death at a South African Funeral

Youths with knives and clubs chased and killed a black teen-ager whom they accused of taking part in the slaying of a community leader, Ampie Mayisa, at Leandra near Johannesburg. The violence occurred at Mr. Mayisa's funeral. Meanwhile, a group of political fugitives from South Africa was deported from Lesotho in exchange for Pretoria lifting a three-week blockade. Page 5.

U.S. Aides Favor A Distancing From Marcos

By Leslie H. Gelb
New York Times Service

WASHINGTON — A consensus has developed in the Reagan administration that the departure of President Ferdinand E. Marcos is critical to a non-Communist future for the Philippines and American interests in that country.

This widely held view was made clear explicitly or indirectly in interviews last week with key officials from the White House, State Department, Pentagon and intelligence agencies.

The administration has decided, however, not to push Mr. Marcos from power by covert means, although that was considered by some officials. The decision was also taken not to make public attacks on him, although some officials have come close to this.

Instead, the policy is to distance the United States from its old ally by publicly questioning Mr. Marcos's statements that he is seeking to effect the economic and military changes the United States has sought. Another element of the strategy is waiting, the officials said. Very soon, they said, they expect that Mr. Marcos's health will force him to withdraw from the scene.

The public position of the White House and of other administration officials is that they will work with the winner of the presidential election Feb. 7, whoever that may be.

Privately, however, the key officials involved say that they expect Mr. Marcos to win, and they maintain that he must go if the necessary changes to get the country back on its feet are to be put into effect.

By the accounts of all the officials interviewed, President Ronald Reagan, Secretary of State George P. Shultz, and Defense Secretary Caspar W. Weinberger have approved the policy of distancing expressed by their subordinates. The president and the two cabinet officers were not actively involved in the policy discussions, and all three went out of their way not to announce the change.

Albert R. Brashear, a White House spokesman, denied Saturday that there was any such consensus. He said: "We want to see the process of reform carried out across the board. We want to see free and fair elections. It's the process that is important."

A Philippine government report links 13 slayings to the election campaign. Page 5.

All the officials interviewed said that Mr. Reagan had been briefed regularly about events in the Philippines and on the policy line to be followed. Several of them, however, noted that Mr. Reagan's role had been essentially passive in policy formulation, which they thought might reflect his longstanding concerns about undercutting allies.

Administration officials fear U.S. identification with the Marcos government at a time of a growing anti-Marcos sentiment in the Philippines. Specifically, they worry that Mr. Marcos is unwilling to introduce what the United States considers to be needed changes, and that his moderate opponents might unite with Communists in opposition to him.

Either eventuality could jeopardize American bases there, which are considered vital to U.S. power in the Asian and Pacific areas.

U.S. officials have urged Mr. Marcos to stem an economic downturn by taking steps to reduce corruption and break up monopolies, many of which are believed to be controlled by figures close to the Marcos family. The administration has also asked for greater efficiency in the military, with promotions based on merit.

Although administration officials have decided that it would be in the best interests of the United

(Continued on Page 5, Col. 5)

U.S. Gesture But No Aid Is Prospect For Savimbi

By Bernard Gwertzman
New York Times Service

WASHINGTON — The Reagan administration has decided to seek a joint congressional resolution to provide the anti-Communist rebels in Angola with moral support, while at the same time opposing legislation giving them military or economic aid, administration and congressional sources have said.

Jonas Savimbi, the head of the leading rebel group in Angola, is due in Washington this week to seek military aid. Secretary of State George P. Shultz outlined the administration's latest approach in an interview Friday night.

The goal of the policy, aides said Saturday, is to show sympathy for the Angolan rebels while keeping alive U.S. efforts to bring about a diplomatic settlement in southern Africa, which might be jeopardized by outright assistance.

Mr. Shultz has been seeking an effective way to show support for Mr. Savimbi's rebel group — which the administration recently called "a legitimate nationalist movement" — without compromising U.S. efforts to achieve a diplomatic solution between Angola and South Africa.

Such an accord, as envisaged by Washington, would lead to the independence of South-West Africa, also known as Namibia, and the withdrawal of 30,000 Cuban troops from Angola along with the pullback of South African forces from South-West Africa. South Africa controls South-West Africa in defiance of United Nations resolutions for its independence.

Conservatives in Congress have proposed military and economic aid for Mr. Savimbi's group, the National Union for the Total Independence of Angola, or UNITA.

The White House has talked of a possible covert military program for the Savimbi group. Mr. Shultz indicated that he believed that for the diplomatic efforts to succeed, the United States had to have "a strong position," meaning a show of support for Mr. Savimbi.

A congressional aide said Mr. Shultz had been looking into the possibility of covert military aid with the intelligence committees in Congress and had found considerable opposition from the committee leaders.

Congressional aides said Mr. Shultz believed that it was important for Mr. Savimbi to receive strong public backing in Washington, even if he left without any aid commitments.

Mr. Savimbi's insurgents are supported militarily and economically by South Africa. One of the objections raised in Congress to aid to Mr. Savimbi is that it would be regarded as backing for Pretoria.

Mr. Shultz acknowledged that he opposed legislation extending military or economic aid to the Angolan insurgents because it would not promote a diplomatic solution.

"I think it would be well," Mr. Shultz said, "if Congress expressed itself in a general way, without any particular, precise commitment, but just in the general nature of what they support — including support for seeing a sensible settle-

(Continued on Page 5, Col. 7)

Thatcher Says She Is Unimpaired by Crisis

By Steve Lohr
New York Times Service

LONDON — Prime Minister Margaret Thatcher, whose embattled Conservative government has lost two Cabinet ministers this month, said Sunday that the recent resignations and the continuing crisis would not undermine her government's effectiveness and she declared her intention to run for a third term in office.

Mrs. Thatcher dismissed criticism of her handling of the controversy over the future of Britain's only helicopter maker, Westland PLC, and rejected any suggestion that the public furor might lead her to consider stepping down.

"I think I will know when it is time to go," Mrs. Thatcher said, responding to questions by journalists on British television. "I do not think that time has come. I would like to go on to a third term. I believe we can do so. I believe we shall do so."

Mrs. Thatcher's comments came two days after Leon Brittan, the trade and industry secretary, resigned in the face of mounting pressure within the Conservative Party. He resigned Friday, a day after Mrs. Thatcher admitted in the House of Commons that Mr. Brittan had authorized and engineered the leak of a confidential government letter on Jan. 6 that served to undermine Michael Heseltine, who resigned as defense secretary Jan. 9.

Reuters

Paul Channon

The financially troubled helicopter company has become the object of two rival rescue bids. The first came from the United Technologies Corp. of the United States and Fiat SpA, while the second came from a consortium of five European companies.

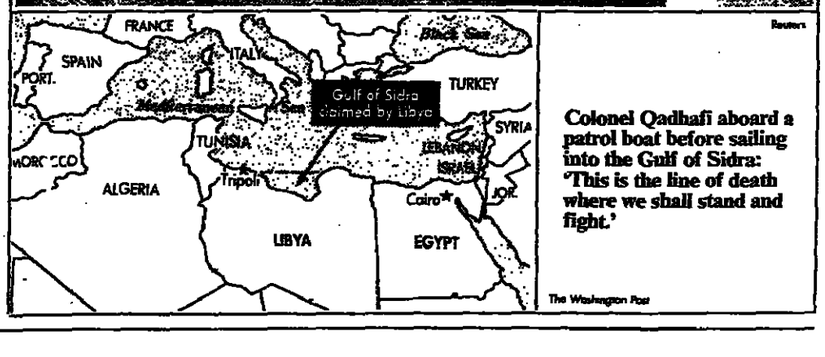
Mr. Heseltine supported the European bid as essential for European collaboration in defense industries and to escape dependence on U.S. suppliers. The Thatcher government's position has been that as a private company Westland and its shareholders should decide its future.

Paul Channon, deputy minister at the Department of Trade and Industry, was appointed Saturday to succeed Mr. Brittan.

In the televised interview Sunday, Mrs. Thatcher blamed the continuing political crisis on Mr. Heseltine and his renegade stance in not conforming to the majority decision of the cabinet. Of the Westland affair, she said, "It was a comparatively small thing which would never have assumed this proportion but for the fact that we had that thing — one member not playing as a member of the team."

In an editorial Sunday, the Observer newspaper said that Mrs. Thatcher's handling of the Westland affair "raised growing doubts over, at best, the competence and, at worst, the integrity of the prime minister herself."

A poll by the Harris Research Center, published in the Observer, found that 43 percent of those surveyed think Mrs. Thatcher should resign, while 48 percent say she should not.



Reuters

Colonel Qadhafi aboard a patrol boat before sailing into the Gulf of Sidra: 'This is the line of death where we shall stand and fight.'

The Washington Post

Qadhafi Sails To 'Confront' U.S. 6th Fleet

By Judith Miller
New York Times Service

MISURATA, Libya — Colonel Moamer Qadhafi boarded an armed patrol boat Saturday and sailed into the choppy waters of the Gulf of Sidra to stage what the Libyan leader called a "confrontation" with the U.S. 6th Fleet.

The colonel, wearing a royal blue jump suit trimmed in emerald green, waved his swagger stick at about 20 foreign reporters who had been taken to Misurata, 120 miles (194 kilometers) east of Tripoli, to witness his defiance of U.S. air and naval maneuvers off the Libyan coast.

"I am sailing out along parallel 32.5 to stress that this is the Libyan border," Colonel Qadhafi said, referring to Tripoli's claim that the entire 150,000-square-mile (388,000-square-kilometer) Gulf of Sidra, between Misurata and Benghazi, is Libyan territorial waters.

"This is the line of death where we shall stand and fight with our backs to the wall," he said through an interpreter.

The colonel's patrol boat was last seen by reporters steaming northeast into the gulf.

[Libyan television showed Colonel Qadhafi stepping back ashore in Misurata later Saturday afternoon to the cheers of the assembled sailors, The Associated Press reported from Tripoli.]

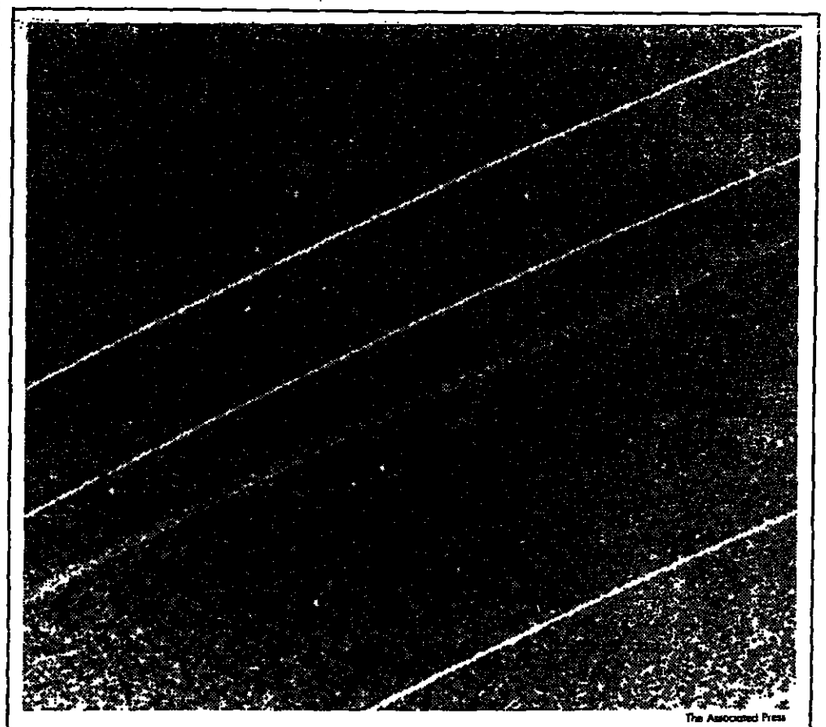
The United States had informed Tripoli International Airport on Thursday that U.S. combat planes based on the aircraft carriers Saratoga and the Coral Sea would be conducting exercises off the Libyan coast for the next week.

Washington has said the maneuvers are part of a demonstration of "U.S. resolve" to operate in international waters and airspace.

Colonel Qadhafi said Saturday that the United States "has no right to stage military maneuvers" in this area because it contains Libyan oil rigs, gas and oil fields and other "economic interests."

"This confrontation is beyond parallel 32.5 in the Libyan economic zone and Libyan continental shelf, which stretches to the begin-

(Continued on Page 5, Col. 7)



The Associated Press

Spacecraft Finds a 10th Ring Around Uranus

The Voyager-2 discovered a 10th ring of particles orbiting Uranus as it hurtled toward the planet for the first close-up exploration. Scientists reported that the spacecraft also detected a 15th moon, a surprising tilt in the planet's magnetic poles and a bright halo like that of Jupiter and Saturn. Page 3.

Senate Candidate Indicted in California

By Judith Cummings
New York Times Service

LOS ANGELES — Representative Bobbi Fiedler, seeking to oppose Alan Cranston for his U.S. Senate seat this year, has been indicted by a Los Angeles County grand jury on a charge of offering an opponent $100,000 to drop out of the Republican primary.

After the charge was made public Friday, Ms. Fiedler said, "I have done nothing wrong."

Ms. Fiedler was indicted along with Paul Clarke, a longtime political aide and close friend, after an investigation that was begun on the basis of information provided by state Senator Ed Davis, who was considered to be her closest rival in the primary next June.

Mr. Davis, a former Los Angeles police chief, told a local prosecutor that "an intermediary representing the Bobbi Fiedler campaign" had contacted one of his aides offering $100,000 to pay off Mr. Davis's campaign debts in return for his withdrawal. Mr. Davis is still in the race.

[The indictment also was based in part on a meeting between Ms. Fiedler and Mr. Davis's campaign manager, who was secretly wearing a recording device, The Washington Post reported. In that meeting, Ms. Fiedler insisted that she wanted no "quid pro quo" for helping to retire her rival's campaign debts, one of Ms. Fiedler's supporters said Saturday.]

News of the indictment came in the early stages of what is developing into a tough contest for the seat held by Mr. Cranston, 71, the three-term Democratic incumbent.

Eleven Republicans either have announced they will seek the party's nomination or are believed close to doing so. None of the primary candidates are believed to have a commanding edge, and Mr. Cranston is viewed as having a comfortable lead over all of them.

At a news conference Friday, Ms. Fiedler and Mr. Clarke denounced their indictments as politically motivated but refused to answer questions about the alleged bribe. "This has got to be one of the greatest political dirty tricks of all time," Mr. Clarke said.

Ms. Fiedler asserted that she would continue to campaign for the nomination.

Ms. Fiedler and Mr. Clarke are scheduled to be arraigned in Los Angeles on Monday. They are charged with violating a section of the California election code that

(Continued on Page 5, Col. 5)

Analysts Say Dollar Is Near Its Low, Predict a Rise

By James Crate
International Herald Tribune

PARIS — The dollar, which has fallen an average of 16 percent since the Group of Five industrial nations agreed in September to devalue it, is at or near its bottom and could strengthen this year, according to currency analysts and economists surveyed in recent weeks.

Since their agreement at New York's Plaza Hotel on Sept. 22, the five — the United States, Japan, West Germany, Britain and France — have helped knock an already weakening dollar lower through a concerted policy of central bank "jawboning" and, direct intervention in currency markets.

But according to analysts, the dollar this year will be buoyed by improving U.S. economic performance relative to its principal trading partners — a pickup that promises to be led by export growth in

NEWS ANALYSIS

the second half — and by continuing high interest-rate differentials on dollar investments.

These upward pressures will be reinforced by normal, built-in demand for the currency in its traditional "safe haven" and international financing roles, they say, and are unlikely to be seriously challenged by an increasingly fractious G-5 partnership.

"Everyone is still buying dollars; it's still the currency of the world," said Frederick Schultz, vice chairman of the Federal Reserve Board under President Jimmy Carter and now a senior economic adviser to Drexel Burnham Lambert in New York. "Our economic prospects are still better than Europe's and our long bonds still offer a substantial rate differential over Japan. That will remain a key to the dollar's prospects this year."

Rimmer deVries, senior vice president and chief economist of J.P. Morgan & Co. of New York, says that the key to a weaker dollar in 1986 would be better economic growth among the chief U.S. trading partners, which would act to reduce foreign demand for dollar investments.

"But I don't see that happening, not this year anyway," he said.

Most analysts surveyed differ on the specifics and timing of the dollar's likely course this year. Even the staunchest dollar bulls do not see the currency resuming its strength at anywhere near pre-accord levels.

Analysts said they foresaw the dollar ending the year at or near its current levels of 2.40 Deutsche marks, 200 yen and 7.50 French francs.

They agree that with the elements leading to a strong dollar coming into place, it will not be easy to keep a lid on the currency.

Significantly, they note, this up-

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Soviet Aide In Charge Of Police Is Replaced

By Celestine Bohlen
Washington Post Service

MOSCOW — The Soviet interior minister, General Vitali V. Fedorchuk, has been moved out of his job to await a "new appointment," Tass has reported.

General Fedorchuk, 67, had held the post for three years. He is a former head of the KGB and was a close associate of Yuri V. Andropov, the Soviet leader who died in February 1984.

The wording of the Tass announcement Saturday indicated that General Fedorchuk was in good standing with the Communist Party leadership and might be promoted, Western analysts in Moscow said.

The new interior minister is Alexander V. Vlasov, 54, who for the past 10 years had served as a regional first secretary of the party. He has no known police background. The Interior Ministry is responsible for the Soviet Union's uniformed police and prosecutorial functions.

General Fedorchuk, who was head of the KGB in the Ukraine, succeeded Mr. Andropov as chief of the security police in May 1982. Seven months later, Mr. Andropov, in one of his first moves as Soviet leader, moved his old associate to the Interior Ministry, where his duties included a drive against corruption.

General Fedorchuk replaced Nikolai A. Shcholokov, who was implicated in corruption scandals during the last days of Leonid I. Brezhnev's tenure. Mr. Shcholokov was stripped of his party rank and was awaiting trial when he died in December 1984, apparently of a self-inflicted gunshot wound.

Vitali V. Fedorchuk

A new and broader campaign against corruption has been started in recent months. Rumors have circulated throughout the government of officials being dismissed and even arrested for misdeeds.

Mikhail S. Gorbachev has made sweeping personnel changes in government, in the party and in the Politburo since he became general secretary of the party in March 1985.

According to a tally by one Western analyst, 19 of 59 ministers have been changed since then, as well as 45 of 159 regional party first secretaries and four of 14 party first secretaries in the Soviet republics.

■ Grishin Still in Politburo

Viktor V. Grishin, who was removed last month from his post as leader of the Moscow city Communist Party, is still a member of the Politburo, The Associated Press reported Saturday from Moscow, quoting a Soviet television report.

KGB Defector to U.S. Is Called Very Valuable

By Philip Shenon
New York Times Service

WASHINGTON — A KGB officer who fled the Soviet Union last year may be the most valuable defector to the United States in recent years, congressional sources said Saturday.

The defector is providing information that "is much more important" than that provided by Vitaly S. Yurchenko, the Soviet intelligence official who defected to the West last summer but returned to Moscow in November, a congressional source said.

Another described the defector as a senior officer of the KGB, the intelligence and security agency, who escaped by helicopter last spring from East Germany.

According to that source, the officer was questioned at an American military base in West Germany before traveling to the United States, where he has assumed a new identity.

The Central Intelligence Agency would not confirm the reported defection.

Two of the congressional sources said the CIA had gone to great lengths to keep information about the defector from being disclosed, largely because publicity might have upset the summit meeting in November between President Ronald Reagan and Mikhail S. Gorbachev, the Soviet leader.

Details of the defection were reported in the issue of the magazine U.S. News & World Report that goes on sale next week. The magazine said that the defector was a major general in the KGB.

American law enforcement officials have said that Mr. Yurchenko provided tips that could lead to numerous arrests of Soviet spies working in the United States.

Ronald W. Pelton, a former employee of the National Security Agency who was reportedly identified by Mr. Yurchenko, is awaiting trial on espionage charges in Maryland.

But there have also been accusations that Mr. Yurchenko was a double agent sent to the United States to disrupt intelligence agencies. He fled from a U.S. intelligence officer at a Washington restaurant in November. After a news conference at which he accused the CIA of kidnapping him, he went home.

The CIA has denied that Mr. Yurchenko was held against his will.

A congressional source who has been skeptical of the value of Mr. Yurchenko's information said Saturday that the newly disclosed official's defection appeared to be legitimate.

The source said the defector had "technical" knowledge and had traveled frequently to Soviet bloc countries but would not elaborate on the defector's responsibilities in the KGB.

Another source said it was possible that the Soviet official was a double agent.

A source close to the situation said it was unclear why the defector's existence had been disclosed to reporters. But that source suggested that intelligence officials may have released the information to blunt a reported proposal to shift responsibility for defectors from the CIA to the FBI.

Such a proposal followed Mr. Yurchenko's return to Moscow.

Freitas Faces Runoff With Soares in Portugal

Reuters

LISBON — Diogo Freitas do Amaral, a rightist, and Mário Soares, the former leftist prime minister, were expected to win the most votes in Sunday's presidential election in Portugal, according to official forecasts Sunday. The two then would face each other in a runoff.

The other two candidates, Francisco Salgado Zenha, a Socialist candidate, and Maria de Lourdes Pintassilgo, a former prime minister, have conceded defeat, their campaign officials told the Portuguese news agency ANOP.

The official election secretariat predicted that Mr. Freitas do Amaral, 44, a former foreign minister and defense minister, would win 46.8 percent of the vote and that Mr. Soares, 61, would receive 25.2 percent.

The election office forecast that Mr. Zenha, who was backed by the Communist Party, would win 21.1 percent and that Miss Pintassilgo would have 7 percent.

Mr. Freitas do Amaral's supporters had hoped that he would gain the 50 percent of the vote needed to win in the first round.

His task will be more difficult in the runoff, where Mr. Soares is likely to pick up a large proportion of his defeated rivals' votes.

All candidates to replace outgoing President General António Ramalho Eanes are civilians. They and other political leaders welcomed this as a sign that Portugal had fully embraced democratic civil rule since the revolution in 1974.

Reuters
Diogo Freitas do Amaral

Mr. Eanes, a hero of the revolution who enjoyed great popularity, won landslide victories in the two last presidential elections in 1976 and 1980, but he cannot immediately run for the office again.

The military Council of the Revolution, which oversaw the transition to democracy after 1974, was abolished in 1982 when the armed forces that toppled the prerevolutionary rightist dictatorship were made fully subordinate to civil government.

The four candidates in Sunday's election pledged to lead Portugal into an era of progress and stability to coincide with membership in the European Community.

Mr. Freitas do Amaral based his campaign on restoring national confidence, echoing the program of the governing Social Democratic Party, which supported his candidacy.

Of his rivals, Mr. Soares, a veteran Socialist and prime minister three times since 1974, argued he alone had the experience that could guarantee political stability for the nation.

WORLD BRIEFS

Threat to Kill Pope Reported in India

NEW DELHI (Reuters) — Church authorities in the southern city of Madras have received a letter threatening Pope John Paul II during his visit to India next month, the Press Trust of India news agency reported Sunday.

It quoted a spokesman at the archbishop's office in Madras as saying the letter, signed "Peace Panthers," read: "Caution, advise Pope John Paul II not to enter. Otherwise we will shoot him." The church spokesman said the letter had been sent from Calcutta a month ago. W.I. Davaran, the Madras police commissioner, denied that the letter existed, the agency said.

The pope arrives in New Delhi on Saturday for a 10-day tour. His visit to India, which has only 12 million Catholics in an overwhelmingly Hindu population of 750 million, has already drawn criticism from militant Hindu groups who are concerned about alleged church efforts to make conversions.

Peres, in Bonn, Criticizes Europeans

BONN (UPI) — Prime Minister Shimon Peres of Israel arrived Sunday in Bonn for a four-day visit to West Germany after telling Europe that its reluctance to impose sanctions on Libya would cause innocent blood to be shed.

About 60 protesters, including some Palestinians, demonstrated near the Israeli Embassy in the suburb of Bad Godesberg before Mr. Peres arrived. They were protesting Israeli policy towards Arabs in the occupied territories. Police said that there were no incidents and that the demonstration broke up before Mr. Peres left the airport. He had traveled to Bonn from London.

Hussein, Arafat Meet on Peace Efforts

AMMAN, Jordan (AP) — King Hussein of Jordan and Yasser Arafat, the Palestine Liberation Organization chairman, met twice Sunday and planned a third meeting Monday, the PLO announced Sunday. The two leaders reportedly have been under pressure to advance Middle East peace efforts.

Mr. Arafat and nine other PLO officials had lunch with Hussein at his hilltop palace. After a two-hour break, Mr. Arafat returned to meet alone with the king.

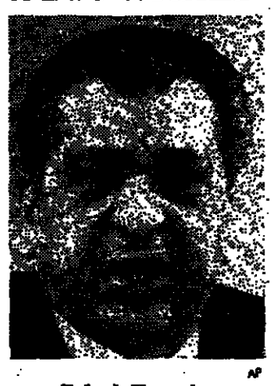
There was no description of the meeting released by either the PLO or by the official Jordanian news media. The PLO, however, indicated that a third meeting was planned.

Karmal Urges U.S. to Halt Rebel Aid

KABUL, Afghanistan (Reuters) — President Babrak Karmal urged the United States on Sunday to stop aiding anti-government guerrillas if Washington wants an end to the six-year war between them and his Soviet-backed government.

Mr. Karmal told Western reporters on a rare visit to Afghanistan that the United States, which last month said it would help guarantee any negotiated settlement to the war, also would have to pressure Pakistan into signing a peace settlement with Kabul.

He said some Soviet military advisers might stay in Afghanistan, even if a settlement were reached in UN-sponsored peace talks in Geneva, if outside interference in Afghanistan's affairs continued.


AP
Babrak Karmal

U.S. Softens Farm Foreclosure Plan

WASHINGTON (NYT) — The Farmers Home Administration has said that it would scale back and soften a program it announced in December to send foreclosure notices to thousands of U.S. farmers who owe the government a total of $6 billion.

Vance L. Clark, the agency's administrator, said Friday that the original notices had been rewritten "in order to reduce some of the fear this thing has caused." The revised notices are to be mailed to 27,000 farmers who are delinquent in their payments to the agency by three years or more.

Initially the notices were to have been sent to 80,000 farmers who were behind in their payments by more than one year and $100. Mr. Clark said the agency had prepared a second, "more polite" letter for 38,000 other borrowers with lesser financial troubles. He said both were to be mailed Feb. 10, pending the outcome of a lawsuit in U.S. District Court in North Dakota, where farmers are seeking to stop the agency from moving ahead with the foreclosure notices.

4 Die, 24 Missing in Chilean Explosion

IQUIQUE, Chile (UPI) — Explosions at Chile's largest bomb factory have killed as many as 28 people and injured 11, police said. Workers recovered four bodies, and officials said 24 employees of the plant were missing and presumed dead after the explosion Saturday in a part of the Cardoen armaments factory where cluster bombs are armed.

Julio Rodriguez, spokesman for Cardoen Industries Ltd., owner of the weapons factory, said the explosion occurred Saturday during production of the company's 500-pound (225-kilogram) cluster bomb.

He said the company had no information about the cause of the blast at the factory, about 1,100 miles (1,750 kilometers) north of Santiago. A police spokesman said the explosion appeared to be accidental.

For the Record

Israel's first ambassador to Spain will be Shmuel Hadas, Israel's official representative there, the government announced Sunday in Jerusalem. Spain's ambassador to Israel will be Israel Pedro López Aguirrebengoa, a career diplomat. *(UPI)*

Irish police raided three farms Sunday and seized 140 guns and a large quantity of ammunition they believed was intended for the Irish Republican Army in Northern Ireland. The farms were in the counties of Sligo and Roscommon. *(UPI)*

Jean-Claude Duvalier, Haiti's president for life, in an apparent bid to stem criticism of its human rights record, announced Saturday the arrests of three men charged in the murders of three students during protests in November. *(UPI)*

President Mobutu Sese Seko of Zaire has ordered the release of a Belgian socialist militant, Ronald van den Bogaert, 38, whose 10-year prison sentence for alleged subversion has strained ties between the nations, the Belgian Foreign Ministry said Sunday. *(Reuters)*

General Abdul Rahman Swareldahab, Sudan's military ruler, promised Sunday in Khartoum to withdraw the army from the government after elections in April. *(Reuters)*

Murdoch Fires 6,000, Prints at New U.K. Plant

United Press International

LONDON — Rupert Murdoch produced his two Sunday newspapers in Britain at a new computerized plant, defying a strike by 6,000 production workers.

Mr. Murdoch dismissed his print, packaging and distribution employees on Friday. The action halted production Saturday of his daily newspapers, The Times and The Sun, in what industry analysts saw as the first stage in a showdown with traditional print unions over computer technology.

Mr. Murdoch printed his two Sunday newspapers, The Sunday Times and the News of the World, at the new plant Saturday night.

"We're a little late tonight," Mr. Murdoch said. "We had a computer bustup. We were a little late starting. But when we get a bit of practice we will get them out."

Distribution of the two papers, which have a combined circulation of over 6.3 million, was disrupted and in many areas papers failed to reach newsstands. Home deliveries also were irregular.

With computer technology, articles are written and automatically set on computer terminals. The system is used widely in the United States and increasingly in Europe. But at most British newspapers, reporters write on typewriters, and printers set the type by hand.

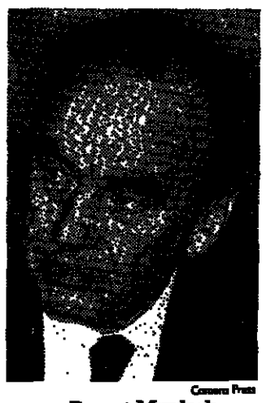
Mr. Murdoch denied that he was trying to break the print unions, which have a combined membership of 6,000 at his old plants, by freezing them out through the introduction of computerized production.

"I am out to preserve my newspapers and people who do work for them," he said. "We put that ahead of everything."

A group of pickets failed to halt production of the Sunday newspapers and their distribution from the new installation at Wapping, about 3 miles (5 kilometers) from the old plants in the Fleet Street area.

The unions, the National Graphical Association and the Society of Graphical and Allied Trades, offered concessions to management but Mr. Murdoch said they had come too late.

Mr. Murdoch, whose News International is Britain's largest newspaper group, hired electrical workers and nonunion labor to operate the £100-million ($140-million) plant.


Camera Press
Rupert Murdoch

The building, equipped with the latest generation of high-technology printing equipment, has spiked iron gates and high walls topped with barbed wire.

Journalists on the News of the World, which has a circulation of more than five million, voted overwhelmingly to move to Wapping for an additional £2,000 pounds each a year in salary.

Arthur Brittenden, a Murdoch spokesman, said editorial employees on The Sunday Times would remain at their central London offices.

■ Battle Is Just Beginning

The strike against News International is viewed as just the start of a battle this year between unions and newspaper publishers determined to introduce cost-saving computer technology, The New York Times reported from London.

Three new national dailies are scheduled to appear this year, led by Today. Its publisher, Eddie Shah, has built a modern printing plant that requires a fraction of the workers employed in traditional plants.

The pressure from the newcomers is leading other newspaper publishers to modernize their operations despite union resistance.

Express Newspapers Co., which publishes The Daily Express, The Sunday Express and The Daily Star, said Friday it needed to cut a third of its 6,000 workers to survive.

Conrad M. Black, the Canadian financier who recently bought The Daily Telegraph and The Sunday Telegraph, is also expected to push for job cuts.

U.S. Sees 'No Change' In Soviet Stance on SDI

By John Tagliabue
New York Times Service

BONN — A senior U.S. official has asserted that there has been "to this day no change" in the Soviet Union's opposition to research for President Ronald Reagan's space-based missile defense plan.

U.S. officials recently have shown interest in statements by Soviet leaders that repeated Moscow's fundamental opposition to the plan but made no mention of research.

Soviet officials had said previously that progress in arms control was possible only if the United States renounced all aspects of the space defense system, which is known formally as the Strategic Defense Initiative.

But Mikhail S. Gorbachev did not specifically mention a ban on research when he announced new arms proposals on Jan. 15, the eve of the resumption of arms control negotiations at Geneva.

The Soviet leader said his plan would be feasible if both superpowers "mutually renounce the development, testing and deployment of space strike weapons."

Georgi M. Kornienko, the Soviet first deputy foreign minister, said five days later that the Soviet Union was not seeking a ban on "basic research" but a ban on research that was "goal-oriented or directed specifically toward designing or developing a weapons system."

Soviet statements usually had included the more general phrase "including scientific research," the U.S. official said.

The official said Friday, however, that "those three words have reappeared in Geneva." He said the distinction between basic and applied research was not reflected in the Soviet position at the talks.

A Soviet space weapons expert, Yevgeni P. Velikhov, was quoted Friday in Brussels as saying that the Soviet Union was not seeking a ban on basic research but a ban only on the advanced development, testing and deployment of space weapons.

Reuters quoted a Soviet diplomat as saying that Mr. Velikhov, one of several Soviet experts who met last week with West European leaders, had told Belgian legislators that the Soviet Union was not opposed to laboratory research and exploratory development.

But the U.S. official said Soviet negotiators in Geneva distinguished between "purposeful" and "nonpurposeful" research in informal discussions.

The term "purposeful," he said, seemed only to describe research in the United States, "an open society" that declares the intent of research. The term apparently did not include the Soviet Union, where research is carried out without declaring its intent.

He said Soviet negotiators accepted only "nonpurposeful research" in the informal talks.

■ Scientists Criticize SDI

A space-based missile defense would be vulnerable to attacks by Soviet anti-satellite weapons, according to a report issued Saturday by the Union of Concerned Scientists, United Press International reported from Washington.

Cheap space mines, nuclear-tipped rockets and other short-range weaponry could be quickly deployed to knock out such a system, the report said.

Aden Vows To Improve Arab Links

Reuters

ADEN, South Yemen — South Yemen will continue its policy of improving relations with other countries in the Arabian peninsula, Foreign Minister Abdul Aziz Dali said after meeting here Sunday with the Kuwaiti ambassador.

Mr. Dali made the pledge as Aden's leaders assessed the damage caused by 12 days of fighting, which led to the overthrow of President Ali Nasser Mohammed.

South Yemen's interim president, Haydar Abu Bakr Attas, also met the Soviet ambassador, Vladislav P. Zhukov, on Sunday to discuss ways to stabilize the country, Aden Radio said.

Mr. Attas, who had been the prime minister under Mr. Nasser Mohammed, returned from Moscow on Saturday. Mr. Attas described the Soviet Union's support as important in helping to develop the nation, the radio said.

The Soviet Union, apparently taken by surprise by the conflict in South Yemen, its only ally in the Arabian peninsula, has tried to mediate between the two warring Marxist factions of the ruling Yemen Socialist Party.

Meanwhile, a Palestinian group represented in South Yemen denounced what it said were moves by anti-revolutionary forces on the border with North Yemen.

The group, the Democratic Front for the Liberation of Palestine, did not elaborate, but it apparently was referring to exiled South Yemenis opposed to Marxist rule in the country.

There was still no firm word on the whereabouts of Mr. Nasser Mohammed, who was reported earlier by sources in North Yemen to be in his home region of Abyan, east of Aden.

In North Yemen, diplomatic sources said a radio station apparently broadcasting from Abyan said Mr. Nasser Mohammed had given his opponents until Wednesday to surrender or face a counter-attack.

In Aden, bulldozers Sunday removed charred tanks from the streets as authorities organized mass burials for the victims of the power struggle.

Unofficial estimates said up to 10,000 people may have died in the city of 350,000. Government offices, banks and schools stayed shut Sunday, but shops were open.

In Djibouti, British officials said Sunday that South Yemen had banned more evacuations of foreigners by sea. They said the approximately 1,000 who remain, most of them Indian construction workers, had been told to leave by air.

More than 6,000 foreigners from about 50 countries had arrived in Djibouti by sea in the past week.

The Aden airport was closed after fighting began Jan. 13. Officials at Djibouti said Sunday they had not been notified of its reopening, despite earlier reports that it was in use. A scheduled Air Djibouti flight to Aden on Sunday was canceled.

Libyan television said Saturday that Mr. Nasser Mohammed had telephoned the Libyan leader, Colonel Moamer Qadhafi, pledging South Yemen's support to Libya in the face of U.S. actions.

Gemayel Asks Assembly to Discuss Pact

United Press International

BEIRUT — President Amin Gemayel of Lebanon said Sunday that a Syrian-mediated peace agreement that he has rejected would be referred to parliament.

Prime Minister Rashid Karami objected. He said that Mr. Gemayel should take a "positive position" by approving the agreement.

A presidential statement called a cabinet meeting for Monday to send the agreement to the National Assembly. The cabinet has not met since November. If it could not sit Monday, Mr. Gemayel said he would present the accord directly to the president of the chamber.

The agreement was signed Dec. 28 by Elie Hobeika, leader of the Christian militia, the Lebanese Forces, and by leaders of two Moslem militias. It calls for a cease-fire and reforms to give Lebanon's Moslem majority more political power.

Mr. Gemayel, a Maronite Christian, rejected the agreement and helped to depose Mr. Hobeika. Hundreds died in mid-January in the conflict between Christian factions.

Syria reacted by ordering pro-Syrian militias to exert pressure on Mr. Gemayel's stronghold at Bikfaya, near Beirut.

Mr. Karami, a Sunni Moslem, said Sunday that "submitting the agreement to parliament in this manner is out of the question."

The assembly is Christian-dominated, and would probably amend the peace accord. Syria wants the agreement to be implemented by Mr. Gemayel without reference to parliament.

UPI
Amin Gemayel

Sofia Reshuffles Party Positions

Reuters

BELGRADE — A member of the Bulgarian Communist Party Politburo, Chudomir Alexandrov, who is widely seen as a possible successor to the party chief, Todor Zhivkov, has been promoted in a party reshuffle, the Bulgarian press agency BTA said Sunday.

The agency also said that Todor Bozhinov, a full Politburo member, and Stanish Bonev, a candidate Politburo member, had been removed from their posts. Western diplomats said both men's careers had been marred by the country's economic failings.

Mr. Alexandrov, 49, was made secretary of the Central Committee, one of a handful of powerful party secretaries, at a two-day plenary session of the Central Committee in Sofia on Friday and Saturday, the agency said.

Sierra Leone Inauguration

Agence France-Presse

FREETOWN, Sierra Leone — Sierra Leone's new president, Major General Joseph Saidu Momoh, pledged Sunday to enact radical economic reforms and establish a medical system accessible to all at an inauguration ceremony attended by an estimated 40,000 people.

2 Legion Recruits Sentenced to Life For Killing Arab

Reuters

MONTAUBAN, France — Two recruits in the French Foreign Legion have been jailed for life for killing a young Arab whom they stabbed and threw from a speeding train.

The court found Marc Béani, 22, and Anselmo Elviro Vidal, 28, guilty of murder. A third defendant, Xavier Blondel, 26, was found guilty of causing grievous bodily harm and sentenced to 14 years in prison.

The three were found guilty of killing Habib Grimzi, a 26-year-old Algerian, as they took a train in November 1983 on their way to start training with the Foreign Legion.

Public Prosecutor Jean-Louis Brignolles had asked for life for all three, saying the case was a test of the law's attitude toward racism. "This is racism and barbarism as practised everywhere and by everyone," he said.

The three admitted killing Mr. Grimzi, but their lawyers argued that they had acted in a general climate of racism and could not be held individually responsible.

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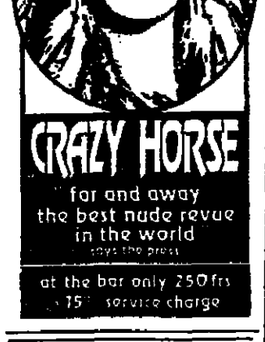
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AMERICAN TOPICS

The Associated Press

MOVE OVER — One of four head of cattle that escaped from a stockyard in San Antonio, Texas, piled headfirst into a van, breaking a window and denting a door. The driver was shaken but not injured. The animal was roped and returned to the stockyard.

Alumnae Reminisce About Latin Quarter

The Latin Quarter, which had more feathers, plumes, rhinestones and sequins than any other Manhattan night spot, closed for good in 1969 but the former show girls still hold a regular monthly meeting. "The minks, the diamonds, the champagne flowed," recalled Chickee James at the last meeting. "Those were the good old days, and the nights weren't bad either."

Jackie Miller Abrams, sheathed in furs, recalled, "For years, every night was New Year's Eve."

Betty George recalled a single day when she had cocktails with Tyrone Power before the first show, dinner between shows with Marlon Brando, drinks after the 2 A.M. show with a Hollywood producer, Robert Evans, and then a night out chasing police calls with Walter Winchell.

Miss James said it wasn't all caviar. Many show girls died young from drug or alcohol problems or by suicide. "After all," she said, "a pretty face and gorgeous figure can carry you just so far." She added with a laugh, "Pretty damned far, come to think of it."

What Life Is Like Behind the Throne

Eight ranking staff members for every president since Dwight D. Eisenhower got together for a public television forum and found that they agreed far more on the tricks of their trade than their contrasting personalities and political philosophies might indicate.

All eight agreed that somebody has to be in charge. Donald H. Rumseld, co-chief of staff for Gerald R. Ford, said that President Ford tried to give equal access to several aides, calling them "spokes of his wheel." It didn't work because then the president "gets overheated."

Jack H. Watson Jr. said that Jimmy Carter made the same "fatal mistake," which "pulls the president into too many issues."

Most of the panelists denied that they exercised great power or influence over their presidents, but admitted they had ways to get a president to give up a "damn fool idea."

"You do it very gingerly when your president is Lyndon Johnson," said Harry C. McPherson Jr., special counsel to the chief executive. The others laughed understandingly.

Theodore C. Sorensen, special counsel to John F. Kennedy, said he had a "short way to stop bad ideas. I'd say, 'That sounds like something Dick Nixon would have suggested.'"

H.R. Haldeman and his successor in advising Richard M. Nixon, Alexander M. Haig Jr., joined in the laughter, and Mr. Haldeman said, "Al and I didn't have the option to say what Ted did."

Notes About People

When **Patrick J. Buchanan** went to work as White House communications director in early 1985, he remarked that he was being paid nothing like the $400,000 he made as a journalist in 1984. That any journalist was making that kind of money came as a surprise, especially to other journalists. However, much of it came from speaking engagements. Jacob Weisberg, writing in the New Reublic magazine, calls such journalists "buckrakers." He reports that broadcast journalists, as usual, get the most: **Walter Cronkite** and **Eric Sevareid** get $25,000 a speech; **Sam Donaldson, Ted Koppel** and **Dan Rather** get $20,000. Among the writers, **William Safire** gets $18,000; **Art Buchwald**, $15,000; and **George Will**, $12,000 to $15,000.

Governor **George Corley Wallace** of Alabama said last week that "I definitely, really, honestly have not made up my mind" whether to run for a fifth term. Billy Joe Camp, the governor's press secretary and closest aide, said at the same time that he would be running for his boss's job this fall. This is being interpreted as the strongest evidence yet that Mr. Wallace, 66, paralyzed from the waist down in a 1972 shooting, will not run again.

The last surviving member of Notre Dame's most renowned backfield was **James H. Crowley**, who died Jan 15 at 83. Grantland Rice nicknamed the 1924 backfield the Four Horsemen of the Apocalypse: "In dramatic lore they were known as famine, pestilence, destruction and death." Jim Crowley once remarked, "I don't know if it was ever spelled out who was who, but you can put me down as pestilence."

— *Compiled by* **ARTHUR HIGBEE**

New Pleas For Tax Hike Are Rejected By Reagan

By Jonathan Fuerbringer
New York Times Service

WASHINGTON — Responding to new calls for a tax increase from some Republican and Democratic leaders in Congress, President Ronald Reagan has rejected the idea afresh.

After a meeting Friday with Mr. Reagan at the White House, Bob Packwood, Republican of Oregon and chairman of the Senate Finance Committee, said Mr. Reagan was "adamant about any kind of sales tax, value-added tax, consumption tax — call it what you want — no."

Mr. Packwood's committee will start hearings on a House-passed tax bill this week. The committee held a one-day retreat to consider the issue.

Mr. Packwood said Saturday that while the committee would produce a tax-overhaul bill this year, it had specifically rejected as models both the House-passed legislation and Mr. Reagan's proposal.

The president did not miss a day last week in rejecting the idea of a tax increase. But congressional leaders, including the Senate Republican leader, Robert J. Dole of Kansas, have said politics would probably require a tax increase be part of a package to cut the deficit.

The back and forth between Congress and the White House on the budget and a tax increase was intensified in the first week of the new congressional session by the new law that mandates a balanced budget by 1991. It sets a deficit ceiling of $144 billion in the fiscal year 1987, about $50 billion below current deficit projections.

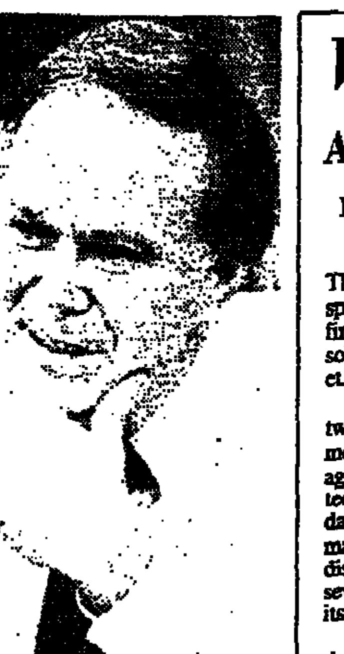
If Congress and the White House cannot agree on a plan to meet the ceiling, spending is cut automatically, the kind of cuts that neither the White House nor Congress wants.

Pete V. Domenici, Republican of New Mexico and chairman of the Senate Budget Committee, has said that a tax increase is necessary and that he expects the White House to agree to one in the end.

But Mr. Domenici and others would prefer to have the compromise early in the year, rather than wrestling with budget matters late in the campaign for the November elections. Twenty-two Republican-held seats are among the 34 being contested.

Donald T. Regan, the president's chief of staff, said Friday that the administration would not make the mistake of agreeing to a tax increase in exchange for spending cuts.

In a speech to the annual winter meeting of the Republican National Committee, he said the administration did that in 1982 and 1984 without getting the spending cuts that Congress promised. Congressional leaders argue that they have delivered on spending reductions.



Bob Packwood

■ **Committee Retreat**

Anne Swardson of The Washington Post reported from Washington:

After most members of the Senate Finance Committee spent 24 hours sequestered in Berkeley Springs, West Virginia, Mr. Packwood said, "I know we can get a bill of some kind" that can get 14 to 16 votes on the 20-member committee "and will be bipartisan."

Mr. Packwood said the session helped him sense "what is acceptable" to the committee.

Members voted overwhelmingly against using the tax bill passed by the House last December or the Reagan plan as a starting point. Instead, they asked Mr. Packwood to develop a proposal with the ranking minority member, Russell B. Long, Democrat of Louisiana.

If that failed, Mr. Packwood said, he would use existing tax law as a basis for bill-writing. Many observers said such a decision could make it harder for the committee to adopt a comprehensive rewrite of the tax code.

Committee members disagreed, however, on specifics of a tax bill. Most were willing to consider terminating the deduction for state sales and personal-property taxes, but Daniel Patrick Moynihan, Democrat of New York, said that move would "jeopardize the legislation here and in the House."

The House legislation leaves deductions for state and local taxes intact.

Mr. Packwood said four or five committee members wanted to use the legislation to raise taxes to reduce the deficit; three other sources said about half of the 18 or 19 senators present wanted higher taxes. Another source described it as a "substantial minority."

Mr. Packwood said the committee might eventually have to turn to revenues from other sources — generally considered to mean an oil-import fee or a tax on consumption — to reduce some personal tax rates and achieve other Reagan goals such as more generous incentives for investment in machinery and equipment.

Voyager Observes Odd Tilt to Uranus

Approach Also Reveals 15th Moon, Strange Aurora

By John Noble Wilford
New York Times Service

PASADENA, California — The Voyager-2 spacecraft has sped by distant Uranus for the first close-up exploration of the solar system's third-largest planet.

The hardy little spacecraft, two billion miles (3.2 billion kilometers) from the Earth on a voyage that began in 1977, transmitted a stream of photographs and data Friday. Scientists expect the material to lead them to major discoveries about Uranus, the seventh planet from the sun, and its largely unknown environs.

Scientists reported Saturday that Voyager had discovered a 15th moon and another faint ring of particles orbiting Uranus. The spaceship also observed a strange "electro-glow," they said, and a surprising tilt to the Uranian magnetic field.

Flight controllers at the Jet Propulsion Laboratory in Pasadena reported that Voyager came within 50,679 miles of the bluish-green clouds of Uranus at 15:59 GMT, slightly more than a minute behind the schedule that was calculated five years and nearly a billion miles ago.

Voyager came even closer to the moon Miranda, passing within 17,400 miles of its icy surface.

The 1,800-pound (815-kilogram) Voyager raced by the sunny side of the planet at 45,000 miles an hour. Operating automatically by computerized controls, the craft rolled steadily to keep the television cameras on target and to prevent smearing of the images.

More than 200 pictures were taken during the hours of the close encounter.

The spacecraft then swung behind the planet, observing its dark side, and pulled away at 38,000 miles an hour.

The tremendous gravity of Uranus, which is four times as wide as the Earth, changed the Voyager's path and redirected it on a course to its next destination, Neptune in 1989. The craft is expected to continue observing Uranus for several weeks.

The radio signals carrying the data were taking two hours and 45 minutes to travel at the speed of light from the spacecraft to antennas on the Earth.

Because the signals are faint and light at Uranus is dim, photographs taken during the close encounter must undergo intensive processing before they can be examined by scientists and made public.

The bright halo of Uranus was not, as had been thought, an aurora like the Northern Lights on Earth.

Almost everything Voyager reports from Uranus will be new to scientists. The planet had never before been visited by a spacecraft, and it is so far away from the Earth that it appears virtually featureless when observed from the ground.

Scientists said Friday that several discoveries were made as the craft headed in toward Uranus.

They received "firm" confirmation that Uranus has a magnetic field and that the field appeared to be somewhat stronger than earlier radio data had indicated.

Dr. Bradford A. Smith, head of the photographic interpretation team, said new photographs of Titania and Oberon, the two largest moons with diameters of about 1,000 miles, revealed many bright spots from which streaks of bright material radiated.

The streaks appeared to be evidence of extensive meteorite impacts that exposed the ice underlying the generally gray surfaces of the moons.

The new ring, which is just inside the brightest and outermost of the known rings, was the first detected by the spacecraft and the 10th known to exist in the vicinity of Uranus.

But scientists said they were most surprised and mystified by magnetometer observations showing that the magnetic poles of Uranus are tilted at a 55-degree angle from the planet's rotational axis.

In other words, the north pole on Uranus is 55 degrees away from the north magnetic pole. Earth's magnetic axis is tilted 11.7 degrees from the rotational axis.

As Voyager moved well into the magnetosphere, its two television cameras began taking more detailed pictures of Uranus. Because the planet rotates lying on its side, the earlier pictures focused on the polar region facing the Sun.

Observations by Voyager's ultraviolet detector indicated that glowing emissions from the Uranian atmosphere apparently are a phenomenon peculiar to the giant gaseous planets, including Jupiter and Saturn as well as Uranus.

The bright halo was not, as had been thought, an aurora like the Northern Lights on Earth, but a different phenomenon that has been named the electro-glow.

The auroras on Earth are created in the polar regions by electrons from space that enter the magnetic fields, interacting with the atmosphere and causing an eerie glow of light.

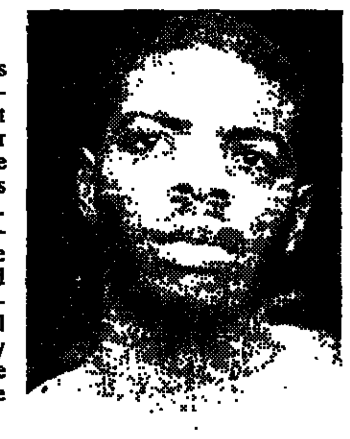
Scientists said the electro-glow seemed to be associated with very slow-moving electrons that do not appear to be coming from outer space.

N.Y. Student Acquitted in Mugging

By M.A. Farber
New York Times Service

NEW YORK — Jonah Perry has been acquitted of mugging a plainclothes police officer in an incident that led to the killing of his younger brother, Edmund, a youth from the streets of Harlem who won honors at a prestigious preparatory school.

After four hours of deliberations, the jury in state Supreme Court in Manhattan announced Wednesday that it had found Jonah Perry, a 19-year-old Cornell University sophomore, not guilty of assaulting and trying to rob the officer, Lee Van Houten, last June 12.



NYT

Jonah Perry

The verdict came six months after a grand jury cleared Mr. Van Houten of any wrongdoing, saying he had acted in self-defense in fatally shooting Edmund Perry.

After the verdict, a number of questions remained about who did what in the case, which involved two outstanding youths and a police officer with an unblemished record.

Police had contended that 17-year-old Edmund was shot while he and Jonah were beating and trying to rob Mr. Van Houten, who, dressed in jeans and a sweat shirt, was scouting for car thieves.

But the Perry family and its lawyers portrayed the incident from the outset as a racially motivated "murder" of Edmund, followed by a "frame-up" by the police department and the Manhattan district attorney's office.

The Perry family is black. Mr. Van Houten, 25, is white.

Harold Potchtar, one of the jurors, said later that the jury did not necessarily subscribe to the Perrys' version of the incident. He said the jury simply did not believe the two key prosecution witnesses who linked Jonah to the assault.

"The district attorney didn't prove his case beyond a reasonable doubt," he said.

After the verdict, the police department said that Mr. Van Houten had fired his revolver "within department guidelines" and that no further investigation was warranted.

Mary DeBourbon, a spokesman for the Manhattan district attorney, Robert M. Morgenthau, said: "The jury has spoken. They've given their verdict. So be it."

With the help of scholarship programs that grew out of the civil rights movement of 20 years ago, the Perry boys had attended elite college preparatory schools.

Jonah graduated in 1984 from the Westminster School in Connecticut and went on to pursue engineering studies at Cornell; Edmund won honors at Phillips Exeter Academy and would have entered Stanford University in California last fall.

Mr. Van Houten also enjoyed a fine reputation. At the time of the shooting, he had been on the police force for a little more than two years, had never before fired his weapon in the line of duty and was regarded by his colleagues as levelheaded.

Jonah Perry was charged with two counts of attempted robbery and one of assault, with each offense carrying a maximum penalty of seven years imprisonment.

Jonah said that he planned to return Friday to Cornell in Ithaca, New York, and "get on with my life."

Kasparov and Karpov Agree on a Rematch

The Associated Press

MOSCOW — Garri Kasparov, the world chess champion, and Anatoli Karpov, the former champion, have agreed to postpone their rematch until July or August, and they want the next world championship delayed until 1987, the Soviet Chess Federation has announced.

In a statement published Saturday by the official press agency Tass, the federation said it was going to the International Chess Federation with their requests. The next world championship is scheduled to be played this year.

Honduran Is Expected to Rely on Army and U.S.

By James LeMoyne
New York Times Service

TEGUCIGALPA, Honduras — A wide variety of political commentators here are predicting that José Azcona Hoyo, who takes office Monday as president of Honduras, is likely to be even more dependent than his predecessor on the army and the U.S. Embassy.

The commentators point out that the president-elect faces a bankrupt economy, growing demands for change from landless peasants, an entrenched and politically powerful Honduran military that receives heavy financial support and manpower from the Pentagon and an expanding guerrilla war against Nicaragua — also encouraged and financed by the Reagan administration.

U.S. economic and military aid to Honduras totals about $210 million a year.

Mr. Azcona is unlikely to make any major changes in Honduras's relationship with the United States, according to several foreign envoys here. And despite past criticism of the presence of Nicaraguan guerrilla forces here, Mr. Azcona appears ready to permit them to continue operating, allowing a discreet resumption of U.S. aid to the rebels that has been obstructed by President Roberto Suazo Córdova.

Although Mr. Azcona will earn the distinction of becoming the first elected leader in more than 50 years to follow another elected president into office, the military remains the real power in Honduras, according to virtually all political experts.

"Power as such is not at play here — it remains in the hands of the army and the United States Embassy," said a Honduran with close ties to the army and top political figures.

Mr. Azcona, 58, will be asked to deal with difficult problems. Despite political liabilities that include shaky control of the National Assembly and no established tradition of democratic rule, he must govern the second poorest country in the Western Hemisphere after Haiti.

In addition, Mr. Azcona, who is the leader of the Liberal Party, will be forced to deal with a strong display of U.S. power. That power is now being expressed in a near-permanent American military presence that includes constant military maneuvers, as well as several U.S.-built military bases.

The growing U.S.-backed guerrilla war against Nicaragua, launched from Honduran border bases, is likely to be the most difficult issue Mr. Azcona will be asked to manage, according to several Hondurans. Although the nation appears to be strongly opposed to the Sandinist government, many Hondurans seem to fear being dragged into war against Nicaragua.

U.S. concern with Honduras has been indicated by the extraordinary lineup of top Reagan administration officials who visited the nation in the last year — including two successive heads of the Joints Chiefs of Staff, two successive national security advisers, senior CIA officials and top State Department officials.

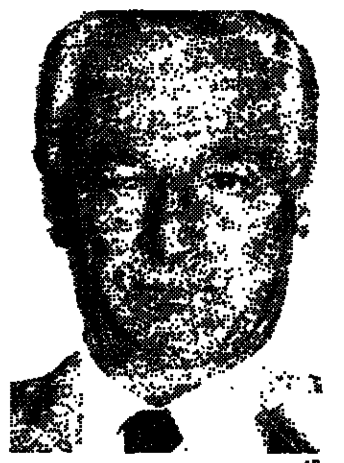
Vice President George Bush visited last year and is to attend Mr. Azcona's inauguration on Monday.

Mr. Azcona's road to the presidency was not easy. He was declared the winner of the controversial presidential election held in November only after heated maneuvering by Mr. Suazo to remain in office was finally thwarted by U.S. and Honduran military pressure.

Because of Mr. Suazo's efforts to stay on, the army was forced to press a political deal on presidential candidates under which the winner of the election was the candidate who received the most votes of the party that received the largest number of votes.

That candidate proved to be Mr. Azcona, but the odd electoral arithmetic left him a minority president, selected by less than 30 percent of the vote. His leading opponent, Rafael Leonardo Callejas, won more than 40 percent of the vote. Mr. Callejas heads the National Party.

The resulting political weakness of the new government has already been expressed in several ways.



AP

José Azcona Hoyo

According to foreign and Honduran political analysts, the army has kept control of foreign affairs by choosing the foreign minister, who happens to the cousin of the head of the army, General Walter López Reyes.

In addition, two Honduran sources say that army commanders had gotten in touch with trade union leaders to tell them to press Mr. Azcona to develop policy to deal with the country's economic problems. This is a concern to the army, which is worried about future social unrest in a nation of peasants.

Mr. Azcona may find policy-making difficult, however, since he barely controls the legislature. Honduras's political system assigns seats in the National Assembly according to the votes for each presidential candidate. Mr. Azcona's vote total gave him control of only 46 of 134 deputies.

Gordon MacRae, 64, Dies of Cancer; Starred in the Movie of 'Oklahoma!'

By Peter B. Flint
New York Times Service

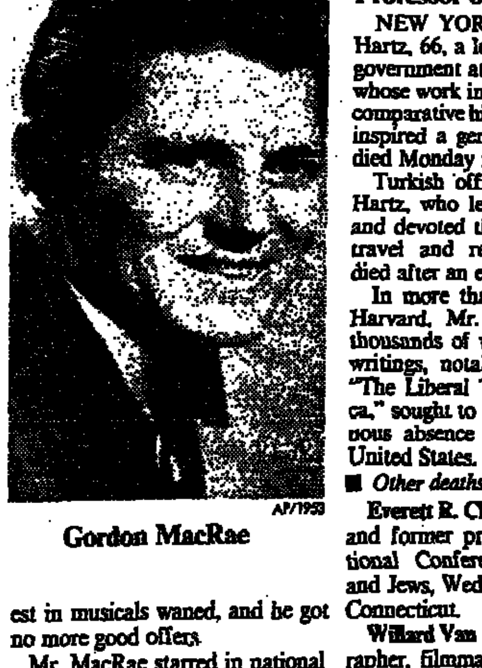
NEW YORK — Gordon MacRae, the singer and actor who starred in the movie versions of Richard Rodgers and Oscar Hammerstein 2d's benchmark musicals "Oklahoma!" and "Carousel," died Friday at Bryan Memorial Hospital in Lincoln, Nebraska. He was 64.

Mr. MacRae had been undergoing treatment for cancer of the mouth and jaw as well as pneumonia.

The tall, athletic actor and singer made four genial, old-fashioned musical films with Doris Day — "Tea for Two" (1950), "The West Point Story" (1950), "On Moonlight Bay" (1951) and "By the Light of the Silvery Moon" (1953).

Other MacRae movies included a 1953 remake of Sigmund Romberg's "Desert Song," with Kathryn Grayson; "Three Sailors and a Girl" (1953), with Jane Powell, and "The Best Things in Life Are Free" (1956), co-starring Sheree North, in which Mr. MacRae played the Tin Pan Alley composer-lyricist Buddy DeSylva.

Mr. MacRae, who was self-taught in both singing and acting and had a rousing baritone voice, clean-cut good looks, and a boy-next-door personality, appeared in 16 movies. In the mid-1950s, interest in musicals waned, and he got no more good offers.



AP/1953

Gordon MacRae

Mr. MacRae starred in national tours of musicals and in summer stock, and for nearly a decade he and his wife, Sheila, performed in nightclubs, on television and in concerts from coast to coast. They both sang, and she did satirical impersonations of show-business figures.

Louis Hartz, 66, Professor of Government

NEW YORK (NYT) — Louis Hartz, 66, a longtime professor of government at Harvard University whose work in political theory and comparative history influenced and inspired a generation of scholars, died Monday in Istanbul.

Turkish officials said that Mr. Hartz, who left Harvard in 1974 and devoted the rest of his life to travel and research, apparently died after an epileptic seizure.

In more than three decades at Harvard, Mr. Hartz lectured to thousands of undergraduates. His writings, notably his 1955 work, "The Liberal Tradition in America," sought to explain the conspicuous absence of ideology in the United States.

■ *Other deaths:*

Everett R. Clinchy, 89, a founder and former president of the National Conference of Christians and Jews, Wednesday in Guilford, Connecticut.

Willard Van Dyke, 79, a photographer, filmmaker and former director of the film department at the Museum of Modern Art, of a heart attack Thursday in Jackson, Tennessee.

John Ryerson, 87, an amateur golfer and one of last survivors of the sinking of the Titanic, Tuesday in West Palm Beach, Florida.

Ugandan Rebels Seize Capital

(Continued from Page 1)

government had accused each other of violating the Nairobi accord, which was aimed at ending decades of bloodshed in Uganda.

The fighting for Kampala ended when most of the remaining government troops withdrew to Jinja, 50 miles (80 kilometers) east of the capital. But the guerrilla spokesman in Nairobi, Mr. Kategaya, said the government forces had since fled from Jinja. A Western military attaché confirmed the report.

■ **Foreigners Recount Terror**

Foreigners fleeing Uganda arrived Sunday by plane in Kenya and described mistreatment by retreating government soldiers and tribal warfare within the ranks of the military, United Press International reported from Nairobi.

Ten United Nations employees from Ireland, Bangladesh, Ethiopia, Ghana and Kenya were airlifted from the northern Ugandan town of Moroto, about 250 miles north of Kampala, to Nairobi by an American pilot.

They said soldiers went on a looting spree as they fled from the gurrillas.

They said that the army's tribally divided units turned against each other, with some groups seeking revenge for the atrocities committed by Acholi-tribe army units during the seven-month rule of General Okello, who is an Acholi.

Danny Matthews, a agriculture specialist from Northern Ireland, said thousands of troops fled into Moroto and stole trucks, fired weapons and threw hand grenades at trees. Some appeared to be drunk, he said.

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Herald Tribune INTERNATIONAL
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Going After the Killers

If other nations cannot catch terrorists or if they refuse to surrender them, why should Americans not snatch suspects wherever they can and bring them to justice in the United States? That question no longer sounds far-fetched. Violence against Americans and the failure of other nations to take it seriously have aroused Washington's interest in every conceivable countermeasure. Prudence and justice argue for striking directly at guilty terrorists. Why not take them where one can?

The main obstacles are other nations' rights and sensibilities. Governments that put a much lower priority on arresting terrorists may well regard kidnapping by American agents as a crime. They also cherish their sovereignty and insist on making their own choices about whom to arrest and to extradite. Some may also fear retribution by terrorists or remember that the United States itself has sometimes refused to deliver fugitives under extradition treaties that exclude crimes labeled "political."

Still, while other nations are unlikely to give advance approval, some might quietly applaud or even assist in specific arrests of properly charged fugitives. American judges traditionally have not inquired about how a suspect is brought before them, only whether he has been duly charged. America's known regard for defendants' rights, and President Reagan's rejection of reckless retaliation against innocents abroad, are strong arguments for trying to bring some fugitives to account. Probably the strongest argument for unilateral action is the failure of international efforts to punish either terrorists or their sponsors. America's European allies, having refused to join in economic sanctions or airline groundings, would find it harder to object to discreet U.S. efforts at self-protection. Responsible Americans are not talking about a shoot-out on a busy Paris street. They do, however, want to warn nations that harbor the likes of Mohammed Abbas that they risk the humiliation of having him snatched away. That alone might keep him and others in distracted flight.

Mr. Abbas is under federal indictment charged with plotting the Achille Lauro hijacking, which included the cold-blooded murder of a disabled American. Mr. Abbas was caught when American planes intercepted the hijackers' escape plane, but he was rashly released, first by Italy and then by Yugoslavia, despite a strong American showing that he was extraditable. He is a prime candidate for capture if U.S. agents can manage it. Such snatchings are no substitute for sustained anti-terrorist campaigns, including infiltration of suspect groups. They are no substitute for joint action when that can be negotiated. But they can bring some murderers to justice and relieve the pent-up American frustration that might otherwise provoke truly rash action.

— THE NEW YORK TIMES.

Up the IDA Ante Now

In the poorest parts of the world, falling interest rates and oil prices make little difference. The countries at the bottom of the heap still need openhanded aid — and the Reagan administration still offers a tight fist.

The International Development Association, a World Bank affiliate, makes 50-year, interest-free loans to countries most in need. It does not consider lending unless a country's per capita income is under $790 a year. There are plenty of those. In its 25 years the IDA has loaned $37 billion to some 90 countries. Its funds have been replenished seven times by the United States and some 30 other nations — including two, South Korea and Colombia, that once got IDA aid themselves. Donors meet in Paris this week to start negotiating an eighth infusion. How generous will it be?

America sets the pace. In the Reagan years, that has meant parsimony. By longstanding agreement, Washington contributes a quarter of the total. The Reagan administration's first move was to stretch the Carter administration's commitment to the sixth replenishment over four years instead of three, thus reducing the yearly contribution. Then, three years ago, when the other major backers and the agency itself favored a replenishment of at least $12 billion, Washington held out for $9 billion.

Fifteen other donors, still seeing a greater need, put an extra $1.2 billion into a special fund for African countries, pointedly insisting that nothing be spent on American goods or services. Last year Congress took the lead and voted a $225 million American contribution to the Africa fund, ordering a first payment of $75 million by Dec. 31. The administration, citing the new deficit reduction law even before it took effect, has paid nothing yet.

So negotiations for the next round of funding open on a discouraging note. The IDA needs at least $12 billion in the next three years. The Reagan administration has not committed itself to any sum but has indicated that it thinks another $9 billion is enough. That would only invite further embarrassment, since other donors and Congress are willing to put up more. What virtue is there in starving the poorest of the poor?

— THE NEW YORK TIMES.

Good News From Ulster

There is good news from Ulster. Moderates scored some gains in the by-elections held on Thursday, and the leaders who called for a massive vote to protest the new Anglo-Irish agreement were disappointed. That treaty sets up a bi-national commission to consider political, legal and security matters in the six counties of Northern Ireland. The commission is a forum, not a ruling body, and the treaty does not change the status of Northern Ireland as a part of the United Kingdom. The agreement has the strong support of parliaments in Britain and Ireland, but in the North cooperation has been opposed both by Protestants who want no dialogue with Dublin and by Catholics who do not recognize British sovereignty.

The by-elections were precipitated by the protest resignation, from the British Parliament, of 15 Protestant members from Northern Ireland. Their leader, Ian Paisley, announced that the new elections would let citizens demonstrate their "universal cold fury" toward the agreement, and he called for a massive voter turnout. Meanwhile, Sinn Fein, the political arm of the Irish Republican Army, fielded candidates in four districts and they, too, opposed the treaty. In the middle, also running in four districts, were moderates of the Social Democratic and Labor Party. It has Protestant and Catholic members and strongly supports both the treaty and continued cooperation between Dublin and London.

Mr. Paisley did not get his massive protest vote. The Unionist parties received, on average, about the same number of votes as in the last elections in 1983, and Mr. Paisley himself lost supporters. In one district the SDLP won a seat from the Unionists. Catholics, in general, voted for moderation over protest by a wide margin. Sinn Fein candidates lost a quarter of their votes measured against 1983, and the SDLP gained almost all of them.

None of this signals a miracle in Ulster. Fourteen of the 15 Unionist candidates who opposed the treaty were returned to Parliament. But the turnout was not remarkable, and an angry message of protest was not sent. The Catholic move away from candidates condoning violence is heartening. The long-range goal of the Anglo-Irish treaty is reconciliation. Prospects for achieving it are a little brighter.

— THE WASHINGTON POST.

Other Opinion

A Watergate Pattern in London

Watergate started with a pretty trivial offense — a clumsy attempt at an office break-in by five not very competent hired burglars. The damage was done not by what happened at the Democratic national committee headquarters in the summer of 1972 but by what followed. The pattern has been repeated in the sorry saga of Westland. The issue is no longer what originally occurred; it is the government's (and especially the prime minister's) efforts to conceal what was got up to — not just in the murky corridors of the Department of Trade and Industry but within No. 10 Downing Street as well. The House of Commons will have done less than its duty if it does not start the process of prizing out some explanation for an episode that has not simply resulted in the departure of two cabinet ministers within a fortnight but has also raised growing doubts over, at best, the competence and, at worst, the integrity of the prime minister herself.

— The Observer (London).

FROM OUR JAN. 27 PAGES, 75 AND 50 YEARS AGO

1911: A New Strauss Opera Opens

DRESDEN — Richard Strauss' latest opera, "Der Rosenkavalier," was produced for the first time on the stage at the Dresden Court Theatre [on Jan. 26]. It showed Strauss in a new light — namely, as a brilliant humorist. The libretto of "Der Rosenkavalier" has been written by a Viennese, the poet von Hofmannsthal, and glorifies the Vienna of the time of Maria Theresa. The title arises from the custom of the young men at the Vienna Court to send to their beloved by a horseman a silver rose. The bearer of the rose was known as a "Rosenkavalier." In delineating character in music, Strauss has been even more original than before. He expresses things which seem almost impossible to represent. Strauss' music marks the carrying out of a public desire that opera music should be gay as well as artistic.

1936: Catholics Told to Resist Nazis

BERLIN — There was silence fraught with deep meaning in the Roman Catholic Churches in Berlin [on Jan. 26] as the faithful listened to a strongly worded pastoral letter. The letter was read at mass in Catholic churches throughout Germany. The bishops call for mobilization of all Catholics of the Reich for the struggle against "certain forces" which are making every effort to "shatter the faith of adults and youth and pave the way to a new hedonism." Although the bishops avoid direct charges against the Nazi State and Party, they make it clear that the forces are Nazi forces. By implication they forbid German Catholics to read certain Nazi literature and attend certain Nazi meetings and training camps. The bishops are known to be negotiating with the Nazis concerning the religious training of youth.

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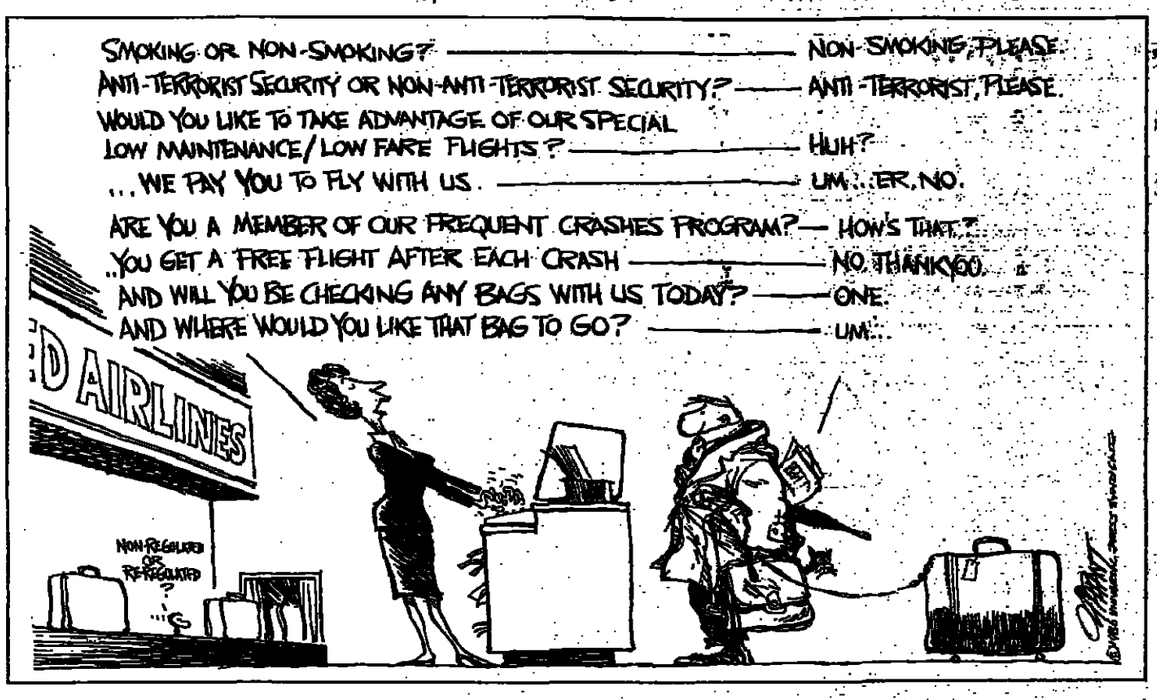


Reagan Should Help Keep the Summit Spirit Alive

By Jacob K. Javits

NEW YORK — Whatever the particular merits of the Soviet proposal for the elimination of nuclear weapons, it is a welcome effort to maintain the cooperative spirit kindled at the summit meeting in Geneva. President Reagan ought to respond in kind. An effective way to do so would be to revive his promise to share the technology being developed for his Strategic Defense Initiative.

Before the summit meeting in November there was popular concern that superpower relations had sunk to a new low and confrontation was a dangerous possibility. Fortunately, that general concern compelled President Reagan, under the stress of his 1984 re-election campaign, to modify his hard condemnation of the Soviet Union as the "evil empire" and to adopt a more conciliatory stance. Fortunately, too, this marked change coincided with the coming to power of a new, younger and more enterprising leader in the Soviet Union.

Mr. Reagan is much admired. He can accomplish what other presidents may not be able to do.

Thus far both that restraint and the cooperative atmosphere of the summit meeting persist. The issue before us is whether this atmosphere can be converted into tangible results. Can America, in the short run, avoid a new round of Soviet-bashing, with all its dangerous consequences? It may be possible if it is recognized that a workable agreement need not be based on trust in the Soviet Union. History demonstrates that mutual self-interest, not trust, is the real glue in international relations — and only the mutual self-interest of the superpowers can ensure a durable peace.

Mikhail Gorbachev's proposal to eliminate nuclear weapons by the year 2000 is a constructive step in that direction. The proposal parallels and extends the "zero option" for the elimination of nuclear weapons in Europe put forward by President Reagan in 1981. Both leaders have in effect agreed that the arms control talks in Geneva should proceed along this line under an accelerated timetable. The basic sticking point is the Strategic Defense Initiative.

The Politburo has taken a seemingly non-negotiable position on this issue, refusing to consider an agreement that would allow even strategic defense research. The reason, according to Moscow, is that research is defined in the United States to include some testing of weapons.

The United States appears to have taken a comparably non-negotiable position. President Reagan is determined to proceed, holding firmly to his original vision — his notion that a strategic defense would allow the elimination of nuclear arms.

The American position is further complicated by allegations that the Soviet Union has violated existing arms control treaties, particularly the anti-ballistic missile treaty of 1972. Moscow also claims violations. The suspicions on both sides play into the hands of those who would perpetuate the crisis atmosphere and make future arms control treaties impossible.

Is there a way out of this impasse? Sharing strategic defense technology with the Soviet Union would allay many of the Russians' concerns — particularly their sense that while they themselves may be researching strategic defense, their technology lags far behind America's; and also their fear that their industrial capacity may be even more greatly strained by the need to further expand their nuclear arsenal to match an American strategic defense system.

The idea of sharing was suggested by President Reagan when he proposed the initiative in 1983, and he reiterated it during the 1984 campaign. It remains an entirely plausible option and deserves to be included in an American proposal at the Geneva talks. It would cut defense costs, reduce the risk of a new acceleration of the arms race and ameliorate the crisis atmosphere that still exists between the two countries. Nor does the latest Soviet proposal necessarily exclude a strategic defense.

Reducing both sides' nuclear arms by 50 percent — an idea that has now been endorsed by both President Reagan and General Secretary Gorbachev — would be the cornerstone of a new arrangement between the superpowers. But it must be buttressed by other steps. The first and most important would be to conclude the negotiations in Vienna on mutual balanced force reduction, thus much reducing the threat of a confrontation with conventional weapons.

Other measures should follow, some of which have already been initiated. The Communist elite that controls the Soviet Union hungers for the legitimacy that only the international community, and especially the United States, can confer. Washington ought to move on a number of fronts to meet that need. The renewal of cultural contacts, agreed upon at Geneva, was a good start.

Other issues demanding comparable attention are human rights, trade, the sharing of medical research, common environmental concerns, tighter verification of arms control agreements, better means to prevent regional conflicts from exploding into world conflicts and a strengthening of the Standing Consultative Commission, which oversees compliance with arms accords. America might begin by opening the door to Soviet participation on suitable terms in the World Bank and the IMF.

And there is the matter of the second strategic arms limitation accord. It took seven years to produce, and the Senate's failure to ratify it broke the rhythm of arms control efforts, bringing us much closer to the brink. It is gratifying that Washington and Moscow have agreed to extend the understanding not to undercut the ceilings agreed upon in the treaty.

Mr. Reagan is much admired for his patriotism, optimism and vigor. He can accomplish what other presidents may not be able to do. His is as great a rendezvous with history as that of any president in modern times. The same public opinion that brought him to change his tone in dealing with Moscow should bring him to keep his promise and thus remove the obstacles to peace posed by his Strategic Defense Initiative.

The writer was a Republican senator from New York from 1957 to 1981. He contributed this to The New York Times.

Gorbachev Has Cornered the Initiative

By Christoph Bertram

HAMBURG — Whatever else may lie behind the Gorbachev arms control plan, it has made painfully clear that America has lost the diplomatic initiative to the Soviets.

By insisting that the Strategic Defense Initiative is not negotiable, the U.S. administration has painted itself into a corner. Now it cannot probe whether Moscow is serious — which is likely — or merely playing to the gallery of public opinion. It cannot find out what price Mikhail Gorbachev is willing to pay for some stability in the arms race while he pursues the mammoth task of modernizing a backward economy. Nor can the administration, even if it wanted to, design a strategy for dealing with the Soviet rival in the decade ahead. U.S. diplomacy is in the doldrums.

Compare this to the fresh wind from Moscow. Mr. Gorbachev, too, was in danger at some stage of getting hooked on fighting "star wars" and losing all diplomatic flexibility as a result. That no doubt would have been the advice of former Foreign Minister Andrei Gromyko. But the new Soviet leader hoisted Mr. Gromyko to the ceremonial job of head of state and proceeded to the Geneva summit meeting in November despite the American refusal to budge on the SDI. He even agreed to a final declaration with President Reagan that did not mention the SDI at all.

The Washington hawks were delighted about this at the time. They saw it as a clear vindication of the president's refusal, at the fireside summit, to suggest restrictions on testing new SDI technologies. The omission in the final agreement, so the hawks argued, indicated that the Soviets did not mind the U.S. program quite as much as their public attacks had led Washington doves and European peaceniks to believe. If you only apply enough pressure, so went their advice, Moscow gives in.

Well, they have been proved wrong. One thing that Mr. Gorbachev's latest proposal makes amply clear is that there will be no arms control deal unless the SDI program is curtailed in one way or another. Yet, while leaving no doubt about his views on the matter, the Soviet leader has not made strategic defense the centerpiece of his diplomacy. This allows him to appear more flexible, more imaginative and more cooperative than his Soviet predecessors and his American counterpart.

That Moscow and not Washington should be taking the initiative is a most unusual sight for the world. Although most people recognize that there is a strong portion of propaganda in his statements, the Soviet leader is improving his image at the expense of America. The Kremlin is scoring more points in the public opinion contest than is the White House.

More serious is the fact that the Reagan administration, through its fixation on the SDI, is depriving itself of the means to shape a new arms control regime in Geneva. In the past four decades only the United States, not the Soviet Union, has been capable of developing the concepts, formulating the objectives and sketching the solutions that finally led to agreement. Moscow knew when to accept a deal but never how to construct one.

That does not seem to have changed. Mr. Gorbachev's recent proposal removes some secondary obstacles to agreement that the Soviets had set up themselves in the past, but its core proposal remains essentially one-sided. The totally unrealistic call for eliminating all nuclear weapons by the end of the century indicates that Mr. Gorbachev, too, finds it difficult to resist the temptation of propaganda gimmicks. If the world is waiting for a serious Soviet plan to reduce nuclear arsenals and regulate the arms race, it will have to wait for a very long time.

Sadly, however, the U.S. administration today does not generate much hope in this respect, either. Washington seems to remain star-wars-struck.

While the spectacle of proposals and counterproposals continues, a breakthrough is unlikely. It was no doubt one intention of Mr. Gorbachev's latest fanfare to put the blame for the stalemate in Geneva on America. The Reagan administration behaves as if it wants the blame to stick.

The writer is the diplomatic correspondent of the weekly Die Zeit and a former director of the International Institute for Strategic Studies in London. He contributed this to the Los Angeles Times.

All Faiths Are Equal Before the Law

By Edwin M. Yoder Jr.

RICHMOND, Virginia — In Cannon Memorial Chapel on the University of Richmond's rolling campus, Fred Anderson held up what looked like an old leather-bound book. "I hold in my hand a rusty piece of iron and a key," said the official historian of Virginia Baptists. "If Baptists had sacred relics this would be our equivalent of hair from a saint's head."

On this rainy morning, we had gathered to recall a bright interval in the somber history of religious oppression: the 200th anniversary of Thomas Jefferson's Virginia Statute on Religious Freedom, passed by the commonwealth's legislature in mid-January 1786.

The lock was used to incarcerate several Baptist preachers more than 200 years ago for religious practices contrary to the Anglican religion "by law established."

Mr. Anderson recalled a remarkable scene from a century ago. A speaker at a similar commemoration had turned the old key in the lock. When the rasping sound rang out, many wept, moved by the memory of suffering for conscience's sake, on American soil.

For good reason, the Virginia Statute was one of three accomplishments that Jefferson wished to be remembered for on the obelisk that marks his grave at Monticello. (The presidency was not among them.) As usual, he had his priorities straight. A law asserting the radical equality of all religious preferences was a novel idea in the world of 1786, even in the land of the Declaration of Independence.

It was a first, an original. The statute embodied the dream of Jefferson — and of his younger confederate, James Madison, who saw the bill to passage in Jefferson's absence — that the troublesome incest between government and religion be ended forever. It was, Jefferson asserted in a rare burst of passion, impious to think that man might usurp God's function:

"Whereas Almighty God hath created the mind free [and] being Lord of body and mind, yet chose not to propagate [religion] by coercious on either, as was in his Almighty power to do ..." Why then did fallible man presume to do what the Creator declined to do?

Speaking later on this day of commemoration, Senator Lowell Weicker noted that Americans have spun a pleasantly self-flattering myth to the effect that the evils of religious persecution were an Old World practice, left forever on the shores that their ancestors fled. In fact, Jefferson's statute was a response to acts of persecution. Baptists, who insisted on conducting unlicensed meetings, were the main victims but not the only ones.

In 1774 Madison had written to a college classmate that, even in Virginia, the "hell-conceived principle of persecution" had taken hold. In the next county "not less than five or six well-meaning men are in jail for publishing their religious sentiments, which in the main are very orthodox." It took imagination to see evil in the routine reaction to challenges to established legal authority. And it took persistence and political craft to remedy it.

The statute, a part of Jefferson's comprehensive post-revolutionary "revisal" of Virginia laws, was mainly couched in his usual cool appeal to reason. It was the first act by any legislative body to guarantee religious freedom — not in the form of "toleration" (implying a superior grasp of truth and subject to arbitrary exceptions), but as an absolute natural right. It went beyond mere sufferance to place all beliefs, however odd, on equal footing before the law. In this it was radically original: a leap of the moral imagination to a farther shore.

And today? You don't have to be sharp-eyed to see that the bearing of this Virginia legacy, and of its unmistakable echoes in the First Amendment, is disputed. Everyone subscribes to the sentiments, but what is their practical meaning? Jefferson pronounced it "sinful and tyrannical" to tax a man for the propagation of beliefs not his own. Does that mean no tax subsidies for parochial schoolbooks?

The Virginia Statute on Religious Freedom neither settled nor foreclosed debate about religious pluralism. It was the world's first important assertion of the idea. It looked far beyond the conventional church-state practices of the day to an entirely new plan for accommodating and tempering religious conflict. For that we owe our thanks, if not a few tears.

Washington Post Writers Group.

The Debtors Need Help At the Brink

By Tom Wicker

NEW YORK — Plunging oil prices mean that Mexico may have to stop paying interest on its $97 billion in foreign debt, perhaps right away. Better to do it now, President Miguel de la Madrid is likely to reason, than with a far bigger debt and smaller reserves later on.

No doubt Washington will attempt a rescue, as in 1982. But that is unlikely to work if the aim is merely for U.S. banks to be paid the interest due them, while the Mexican people suffer a harsher round of austerity and their government eats into scarce reserves to pay the gringo bankers.

The treadmill leads to cessation of payments.

A halt to interest payments might cause the Reagan administration to seek a solution that would permit Latin debtors to grow out from under a debt burden that crushes their people and threatens their political stability — while also saving the U.S. banking system from itself.

Mexico is an exporter of oil, from which it earns most of its foreign revenues — about $14.7 billion in 1985. But annual interest costs on its foreign debt are $10 billion or more. So oil earnings are already insufficient to service Mexico's debt and meet its other obligations. Reserves are estimated at less than $5 billion.

The government had been planning to seek $4 billion in new loans to help meet interest costs this year. That estimate was based on oil prices averaging about $25 a barrel in 1986, which would have earned Mexico about $13.6 billion for shipping 1.5 million barrels a day. But the price of crude is falling, and every $1 drop costs Mexico more than half a billion dollars. Even if Mexico can maintain its market share, it would need to borrow at least $7 billion this year if it paid interest due its creditors.

The Reagan administration and the Federal Reserve might pressure U.S. banks into such loans; but then Mexico's debt would be driven well above $100 billion. That would increase its interest costs in future years and keep it on a treadmill of borrowing to pay interest, with the result that its debt would keep rising and so would its debt service. How would that serve Mexico or its creditors, who could never expect repayment?

Sooner or later the debt treadmill will make it all but inevitable that Mexico stop paying. If other major debtors, notably Argentina and Brazil, followed suit, the U.S. banking system might collapse. The nine largest U.S. banks have lent 180 percent of their capital to East European and Third World countries.

On the other hand, long-continued austerity — like Mexico's brutal peso devaluation, or tough wage restraints in Argentina — would surely produce increasing political instability among resentful Latin peoples, bringing revolt from left or right, repression from the military or perhaps all three. None of it is likely to be in the U.S. political or economic interest.

There is a better way. The administration and the Fed could pressure U.S. banks into stretching out short-term Latin debt to 30 years and cutting interest rates to 6 percent; regulatory relief could be given to the banks to permit this. Their profitability would decline but the security of their loans would be enhanced.

A reduction of one point in interest rates would save Mexico $1 billion a year. Since current rates are 10 percent and often higher, a reduction to 6 percent would save all Latin debtors at least $20 billion a year. That would help them to invest again in economic growth and start paying their way out of debt.

For the long pull, sustained economic growth in the industrialized world and an absence of protectionist measures — to accommodate the needed growth in Latin exports — will be needed. For now, maybe a jolt from Mexico will cause Washington and U.S. banks to take the necessary steps to halt the debt treadmill. □

In my article on this page on Jan. 14, the Reverend Allan Boesak, a South African activist against apartheid, was identified as white. In fact, his government's racial policy classifies him as a "colored" of mixed black and white blood. The error is regretted; the policy is odious.

The New York Times.

LETTERS TO THE EDITOR

Terrorism and Peace

In "Anti-Terrorism Has to Be Pro-Peace" *(Jan. 13)*, Robert E. Hunter suggests fighting Abu Nidal's terror by avoiding the "close embrace" between the United States and Israel and by "hammering together" a settlement between Israel and the moderate Arab states. But it is just this kind of settlement that Abu Nidal fights viciously by assassinating moderate Arabs. The European countries that are most violently hit are Austria, Italy and France — all of which maintain warm relationships with the Palestine Liberation Organization — since Abu Nidal hates the PLO even more than Israel. So appeasement of the PLO will only increase his terror.

Not all terrorist groups are alike. Some, like the Red Brigades and Abu Nidal's group, consist of a small number of fanatics who cannot be dealt with politically but only by sophisticated police methods.

M. WEGER.
Hamburg.

I doubt the effectiveness of the countermeasures urged by Raymond Price in "Ways to Halt Epidemic of Terror" *(Jan. 6)*. I fear that the only sure way to end Palestinian terror is to give Palestinians a country. Let them have their own state and they will think twice before provoking other countries by reckless acts.

Meanwhile, a simple step would seriously curtail terrorist activities: Change the rules concerning the diplomatic pouch. Diplomatic correspondence should be free from scrutiny, but not pistols and grenades. As long as today's rules are maintained — as long as any country can use the diplomatic pouch to support terrorists with weapons sent across borders — retaliatory strikes and the best of airport security will not prevent additional acts of savagery.

The life of one child saved by X-raying a diplomatic pouch would outweigh the inconvenience experienced by the various foreign services.

HERMANN ARNDT.
London.

Letters intended for publication should be addressed "Letters to the Editor" and must contain the writer's signature, name and full address. Letters should be brief and are subject to editing. We cannot be responsible for the return of unsolicited manuscripts.

Lesotho Ousts Fugitives From South Africa to End 3-Week Blockade

By Alan Cowell
New York Times Service

CAPE TOWN — Lesotho's new military rulers have deported a group of South African political fugitives in return for the lifting of a blockade imposed by Pretoria more than three weeks ago.

The state-run Radio Lesotho said Saturday that a charter Air Zimbabwe plane flew the 60 South Africans, described as supporters of the African National Congress, to an undisclosed destination.

[The refugees, including children and several whites, arrived Saturday in Zambia, Reuters reported from Lusaka, Zambia.]

The congress is the most prominent of the groups seeking the overthrow of white minority rule in South Africa.

While the exiles were being deported, the South African foreign minister, R.F. Botha, said in a statement that his government had decided to "lift the border control measures."

The departure of the exiles, South African commentators said, reflected South Africa's ability to enforce its will on an economically dependent black-ruled neighbor.

While Pretoria has seemingly reached beyond its borders to tighten the noose around the congress, the organization's popularity and influence in South Africa seems as strong as ever.

"Sooner or later, we will have to deal with it," said Alex Boraine, a white opposition leader, in a public debate about the rebel group that would have been unthinkable only a few years ago.

Visitors returning to South Africa after several years say they are amazed that the role of the congress, which was outlawed in 1960 and has been operating from exile since, is debated at all in a nation with such a pervasive security network.

Lesotho, a mountainous kingdom that gained independence from Britain nearly two decades ago, is encircled by South Africa.

South Africa imposed tight controls Jan. 1 on traffic across its border with Lesotho, effectively imposing a blockade to back up demands that the small kingdom hand over congress members.

The blockade brought political divisions within the black-ruled country's hierarchy into the open. Last Monday, the country's autocratic prime minister, Chief Leabua Jonathan, was overthrown in a military coup.

Since then, the country's new rulers, although rejecting Pretoria's demands that members of the congress be handed over to South Africa, have sought a settlement with Pretoria to end the blockade.

In his statement Saturday, Mr. Botha said South Africa and Lesotho had reached an agreement that was similar in content, although not nearly as formal, as Pretoria's nonaggression pact with Mozambique in March 1984.

"The two governments subscribed to the principle that neither would allow its territory to be used for the planning or execution of acts of violence or terror and that they would take steps to see that this principle is effectively applied," Mr. Botha said.

In South Africa, meanwhile, political violence, which has claimed nearly 1,100 lives since September 1984, continued at the funeral of a political activist, who was slain two weeks ago shortly before he was to meet with a U.S. official, Chester A. Crocker, the assistant secretary of state for African affairs.

More than 5,000 people attended the funeral of Ampie Mayisa, at Leandra, the black township east of Johannesburg. Mr. Mayisa was said to have been killed by pro-government blacks.

During the funeral, witnesses said, a group of Mr. Mayisa's supporters pursued a man whom they accused of taking part in the killing, hacked him to death and returned to the burial chanting, "The dog is dead! The dog is dead!"

■ **Pretoria Warns Botswana**

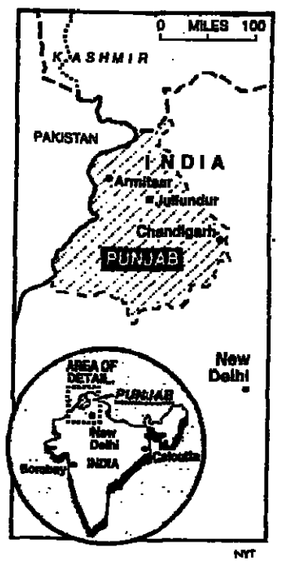
Mr. Botha warned Botswana that it faces military "action" if it does not halt what Pretoria regards as the use of the country's territory as a springboard for attacks on South Africa by the African National Congress, Agence France-Presse reported from Johannesburg.

Mr. Botha, in a statement quoted by the Sunday Times, said he accepted that Botswana did not actually assist the congress's "terrorists," but charged the Gaborone government was aware that the congress was using its territory.

He warned Botswana, "that infiltration route will have to be closed" or the South African army would take "appropriate action," the Sunday Times reported. This policy, he said, "applies to all countries."

A Botswana government spokesman, replying to Mr. Botha's comments, said the threat was "completely unwarranted."

He said it was "a stark reminder" of the raid on Gaborone by South African commandos last June, in which 12 people were killed and several homes were destroyed.



NYT

Militants Gain Control of Sikh Shrine

Reuters

AMRITSAR, India — Militant Sikhs assumed top religious offices Sunday, giving them effective control of the Golden Temple.

Their action at the temple here, in Punjab state, excludes moderates who cooperate with the central government. The temple is the holiest shrine of the Sikh faith.

Meanwhile, Police and soldiers were on alert in Punjab, where Sikhs are in the majority, and in the neighboring, Hindu-dominated state of Haryana after a government commission failed to agree on terms for the transfer of the city of Chandigarh to Punjab. Chandigarh is the joint capital of Punjab and Haryana.

The transfer had been scheduled for Sunday. It was a key element of a peace agreement signed in July by Prime Minister Rajiv Gandhi and moderate Sikh leaders to end three years of Sikh autonomist violence.

At the Golden Temple, 20,000 Sikhs voted at a militant-sponsored assembly to replace moderate officials with more militant functionaries.

Many militants shouted for the separation of their homeland from India, and waved flags of the Khalistan state they want to establish.

Moderate Sikh groups disputed the legality of the assembly, but the militants were left in effective control of the temple complex to the exclusion of supporters of the Akali Dal party of Punjab's chief minister, Surjit Singh Barnala.

The militants rejected the Punjab peace pact between the Akali Dal and Mr. Gandhi.

Report Links 13 Slayings To Filipino Campaign

By Francis X. Clines
New York Times Service

MANILA — Incidents of assassination and intimidation, part of the political tradition in the Philippines, are an increasing factor in the campaign for the presidency, with 13 slayings reported in the government's latest count issued Saturday.

Nine of the victims have been supporters or campaign workers of the opposition candidate, Corazon C. Aquino, and four were members of President Ferdinand E. Marcos's party, according to the government report.

Most of the shootings and slayings have occurred in the last six weeks in the provincial areas in central Luzon, 50 miles (80 kilometers) or more from the capital. This was described as the nation's "No. 1 hot spot" in a report issued by the military and police authorities.

Mrs. Aquino became a candidate after her husband, Benigno S. Aquino Jr., was assassinated. Opposition leaders said that some of the shooting incidents had clearly been designed to intimidate entire areas of Aquino supporters.

The major example they cite was the shooting of Jeremias de Jesús, a provincial campaign leader and godson of Mr. Aquino. His right thumb and index finger were cut off in what was taken as a desecration of the L-shaped hand signal that is a symbol of Mrs. Aquino's party.

The president's supporters deny a connection between his campaign and the violence, noting that scores of slayings, some of them related to community and family vendettas, have regularly occurred in each major Filipino election.

■ **Marcos Criticizes 'Meddlers'**

Mr. Marcos criticized on Sunday "meddlers and interventionists" from overseas who will be monitoring the election, The New York Times reported from Manila.

"To preserve our sovereign integrity, we must prove to them nobody need tell us how to hold a clean and democratic election," Mr. Marcos said at a caucus of his party leaders.

His statement also implied that it might be Mrs. Aquino's supporters who would cause the vote to be unfair by their efforts to recruit freelance poll-watchers to counter what they say are plans for massive cheating by the president's party.

U.S. Aides Seek a Distancing From Marcos

(Continued from Page 1)

States for Mr. Marcos to go, they do not appear to have any idea of who would succeed him.

Most of the officials are also wary of his opponent in the election, Corazon C. Aquino. The officials say they have little confidence in her leadership skills.

Despite a variety of statements from the two candidates throughout the campaign, their positions on the U.S. bases are essentially the same. Both say they would keep the bases through the life of the current agreement, which expires in 1991, and would negotiate a new agreement in the light of their perceptions of the domestic and international situations at that time.

The public articulation of the administration policy is not to choose between Mr. Marcos and Mrs. Aquino, but to stress free and fair processes and change. This, in itself, represents a dramatic shift from Mr. Reagan's contention in the presidential debate of 1984 that the "alternative" to Mr. Marcos was "a large Communist movement to take over the Philippines."

The administration has decided, for the time being, neither to do whatever is necessary to support a close ally whose hold on power seems increasingly tenuous, nor to help depose him from power and thereby accept greater responsibility for whatever might come.

A number of the officials interviewed about Mr. Marcos's future acknowledged that the fates of Mohammed Reza Pahlavi, the deposed shah of Iran; Anastasio Somoza of Nicaragua and Ngo Dinh Diem of South Vietnam were very much in the minds of Mr. Reagan and his top advisers. Whatever the U.S. role in their downfalls of those leaders, incumbent presidents took the political blame.

The public focus is on the presidential elections in the Philippines. But officials say they do not have high hopes for honest results. They worry about a patently fraudulent result that could radicalize Philippine politics, about moderates either being made irrelevant or drawn toward alliance with the Communists.

For the most part, officials are looking beyond the election. To be sure, they say they still want the contest to be a "free and fair" one that would reinvigorate democracy in the Philippines and re-establish the armed forces there as a neutral force in democratic politics. But they anticipate that the real tests will come this year, or next year at the latest, when they say they expect Mr. Marcos to be gone because of his health.

The general view among those interviewed was that Mr. Marcos would win and that fraud would be widespread.

If most of them had their way, Mr. Marcos would win a election that was not too unfair and then quickly step aside in favor of his vice presidential candidate, Arturo Tolentino. "Tolentino is 75 years old, respected and reasonable and perfectly designed to carry out a transition," said a senior State Department official.

Candidate Is Indicted

(Continued from Page 1)

prohibits offering someone money to stay out of or withdraw from a political race.

Mr. Davis and Ms. Fiedler, who was first elected to Congress in 1980, are both considered conservative and have been competing among the same sources for political contributions.

Mr. Davis was reported to be having difficulty with campaign finances. Addressing the issue at a separate news conference Friday, he said that he was "down" by about $100,000.

Mr. Davis issued a statement Friday describing what he said were the events that led to the indictment.

He said that last November, "An intermediary representing the Bobbi Fiedler campaign contacted my campaign and indicated that the Fiedler camp would be willing to pay off $100,000 of an alleged campaign debt in return for my withdrawal from the U.S. Senate race."

On learning of this, Mr. Davis said, he sent a campaign aide to discuss the matter with Mr. Davis's lawyer, "who indicated that some illegal activity had occurred."

The Ventura County district attorney, Michael D. Bradbury, who is an active member of Mr. Davis's campaign, was brought in on the discussions. According to the Los Angeles district attorney, Ira Reiner, the case was forwarded to him after Mr. Bradbury consulted with the offices of the state attorney general and the U.S. attorney.

■ **Aide Tells of Taping**

Jay Mathews of The Washington Post reported from Los Angeles:

One participant in a Jan. 12 meeting at Ms. Fiedler's home said Saturday that Ms. Fiedler told Mr. Davis' campaign manager, Martha Zilm, that any financial help Ms. Fiedler might give Mr. Davis would be "as a friend" and that she wanted "no guarantees" of what Mr. Davis might do about his campaign.

The Davis aide was wearing a secret recording device as part of the district attorney's investigation of the case. The district attorney has not released a transcript of the conversation, "but once it does it will show that Bobbi is innocent," the source, a Fiedler supporter, said.

The participant, who asked not to be identified, said that a Davis backer had approached Fiedler aides to say Mr. Davis had decided to pull out of the race for lack of funds.

Ms. Fiedler's aides, the source said, thought that they were discussing a way to promote unity within the Republican Party by helping Mr. Davis retire his debt, and perhaps receive his endorsement in turn.

Camera Press
Bobbi Fiedler

Savimbi's Prospects in U.S.: Moral Support but No Aid

(Continued from Page 1)

ment of the whole matter, including Namibia."

He said a congressional resolution on the subject was being "worked on" by the Senate majority leader, Robert J. Dole, Republican of Kansas, and by Senator Richard G. Lugar, the Republican of Indiana who is chairman of the Foreign Relations Committee.

The secretary of state said the resolution would provide "a general expression of sentiment" in support of Mr. Savimbi's guerrillas.

A senior administration official, asked to amplify Mr. Shultz's comments, said Saturday that "one of the foundations of our policy is the belief that military solutions to the region's problems are not viable, and that a negotiated agreement is the only way to attain durable peace and stability."

Chester A. Crocker, assistant secretary of state for African affairs, recently met Angolan and South African leaders to discuss the drawn-out negotiations. Mr. Shultz said in the interview that a negotiated accord remained possible.

"It's a long, hard process," he added, "and I don't want to give any impression that we're about to find a solution. But the process is alive, and the exchanges are of such a nature that movement is discernible."

Qadhafi 'Confronts' U.S. Fleet

(Continued from Page 1)

ning of the Maltese and Italian continental shelves," he said.

This was interpreted to mean that he was extending Libya's sphere of economic interests into the central Mediterranean. Standard reference books show almost all of the Gulf of Sidra as beyond the continental shelf, which generally ends at a sea depth of 600 feet.

The colonel denied radio reports Saturday that two Libyan jet fighters had backed away Friday from an aerial engagement with four U.S. fighters from the 6th Fleet.

"There was no fight yesterday," he asserted.

Colonel Qadhafi also said Libyan aircraft had intercepted and warned off 18 U.S. planes that had tried to approach Libyan airspace.

In 1981, U.S. carrier-based fighters were ordered to fly over the gulf to affirm the right of the United States to enter what it considers international airspace. Two F-14s shot down two Soviet-built Libyan fighters that the United States said had fired at its planes.

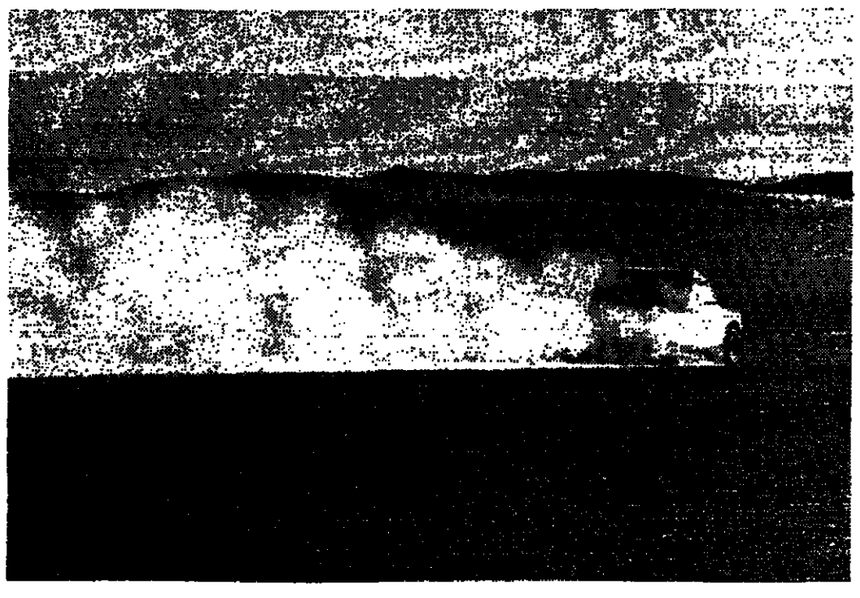
■ **Arabs Reassure Italy**

Italy has a privileged relationship with the Arab world and no Arab country is considering taking measures against it, Reuters reported the Arab League's secretary-general, Chedli Klibi, as saying Sunday in Rome.

His comment followed Saturday's statement by the Maltese government that Libya had threatened to strike U.S. military bases in the Mediterranean, including those at Naples and Sigonella in Sicily.

"The relations that unite Italy to the Arab countries are privileged and we wish to preserve them," Mr. Klibi said in a statement.

– 8th Paris-Algiers-Dakar Rally –
4x4x4
The Mitsubishi Pajero.
4th consecutive Marathon Class winner
in the Paris-Dakar Rally.
—'83, '84, '85, '86—



1983: Triple-Crown Victory: Category 2, Marathon, Best Team
1984: Repeat Triple-Crown: Categories 2 and 4, Marathon
1985: 1-2 Overall, Categories 2, 4 and 6, Marathon
Marathon Class: No replacement of major parts in Unmodified Production Car Category.

MITSUBISHI MOTORS

Weekly International Bond Prices

Provided by Credit Suisse First Boston Securities, London, Tel.: 01-623-1277.
Prices may vary according to market conditions and other factors.

RECENT ISSUES

Jan. 23

Amt	Security	Mat	Str/Conv	Issue Price	Mid Price	Yield
$ 100	Norsk Hydro	8½ % '91 Feb	s	99¾	97½	9.14
$ 100	Finland	8½ % '91 Jan	s	99½	97¾	9.08
y 20000	Ford Motor Credit Co	6¼ % '91 Jan	s	101⅛	98¾	7.08
$ 200	Union Bk Switzerl W/w	5½ % '93 Feb	s	100	105½	4.57
dm 250	Volkswagen Intl F W/w	3 % '96 Jan	s	100	160	2.29
$ 100	Ecs Euro Coal & Steel	9¾ % '96 Jan	s	100¾	100½	9.30
y 20000	Allied-Signal Inc	6¼ % '93 Jan	s	101	98¾	6.91
y 20000	Syntex Inc	6⅛ % '93 Jan	s	101	98¼	6.95
ecu 40	Carinvest	9 % '93 Feb	s	100	101⅛	8.48
$ 150	British Petrol Capita	9⅜ % '93 Jan	s	100⅜	99	9.53
y 20000	Eurofima	6⅜ % '93 Feb	s	101¼	99⅛	6.67
$ 300	World Bank	9⅝ % '16 Jan	s	100	99⅝	9.80
ecu 60	Swedish Export Credit	8⅝ % '93 Jan	s	100⅜	99	8.82
$ 100	Swedish Export Credit	9⅜ % '93 Feb	s	100⅜	98½	9.92
$ 350	Citicorp	9⅝ % '89 Jan	s	100⅛	99⅜	9.32
$ 100	Dart & Kraft Finance	10⅛ % '96 Jan	s	101½	101⅛	10.04
$ 100	Monsanto Company	9⅝ % '91 Jan	s	100⅜	99½	9.86
y 10000	Csx Corporation	6⅝ % '96 Jan	s	100⅜	97¼	7.07
$ 200	General Motors Accept	9⅜ % '93 Jan	s	100	99⅝	9.27
$ 125	Statoil Den Norske	9¼ % '96 Jan	s	100⅝	97	9.73
$ 100	Emerson Elec Co X/w	9⅝ % '95 Dec	s	100¼	98	9.95
$ 150	Procter & Gamble	9⅝ % '01 Jan	s	100½	97¼	9.92
$ 75	Public Serv Elec Gas	9¾ % '96 Jan	s	100¾	95⅛	10.45
$ 100	Mcdonalds Corporation	10 % '93 Jan	s	101⅛	100¼	9.93
$ 200	Olympia & York Malden	10⅛ % '95 Dec	s	99¾	99⅛	10.39
$ 105	Equitable-Lord Realty	10⅛ % '95 Dec	s	99⅛	99⅛	10.41
$ 100	Equitable-Lord Realty	10½ % '97 Dec	s	100⅛	100⅛	10.38
ecu 40	Copenhagen City	9 % '95 Dec	s	100½	99⅛	9.07
dm 100	Japan Finance Municip	6⅜ % '92 Dec	s	99⅝	100	6.32
$ 200	Inter-American Dev Bk	9⅝ % '95 Dec	s	100	102½	9.47

STRAIGHT BONDS
All Currencies Except DM

AUSTRALIA

Amt	Security	%	Mat	Middle Price	Yield Mat	Ave Life	Curr
$ 50	Australia	8¾	'86 Jun	100	8.51		8.75
$ 120	Australia	8½	'86 Oct	100	8.29		8.50
$ 100	Australia	11¼	'90 Oct	108⅝	8.88		10.34
y 15000	Australia	8⅝	'91 Aug	107⅛	7.56		8.31
$ 60	Australia	8⅜	'97 Oct	98½	9.80	9.25	8.80
$ 150	Australia	8⅜	'92 Sep	95½	9.17	9.78	8.64
y 15000	Australia	8⅜	'92 Oct	104⅛	7.97		8.05
$ 200	Australia	11	'95 May	107⅜	9.68		10.21
$ 300	Australia	11½	'95 Oct	110⅜	9.73		10.38
$ 75	Australia	9¼	'96 Jun	97⅜	9.46	9.59	9.34
$ 100	Australia	11¾	'98 Oct	113	9.78		10.29
$ 100	Australia	11¼	'00 May	109	10.82		10.32

HIGHEST YIELDS
to Average Life Below 5 Years

Amt	Security	%	Mat	Middle Price	Yield Mat	Ave Life	Curr
$ 15	Ward Foods O/s Capita	5¾	'88 Nov	78	14.17	17.25	7.37
$ 125	Pemex Petroleos Mexic	11⅛	'88 Jul	95	13.96	14.68	12.11
$ 30	Mexico	8¾	'91 Dec	85½	12.34	13.08	10.23
$ 30	Mexico	8⅞	'87 Mar	97	11.38	13.03	8.76
$ 50	Uer O/s Finance	13⅝	'88 Oct	101	12.97	12.88	13.37
$ 50	Eksportfinans	14½	'89 May	103	13.24	12.41	14.08
$ 65	Eec Europ Econom Com	14⅛	'93 Apr	108¾	12.87	12.80	13.63
$ 14	Reliance Transcontine	6¼	'88 Feb	96½	11.60	12.02	6.51
$ 25	South Africa	7¾	'87 Dec	93¾	11.24	11.91	8.29
dm 100	Escom Electr Supply	6	'86 Mar	98½	22.49	24.82	8.12
fl 60	Oslo City	7¼	'87 Mar	92	15.69	21.43	7.88
ff 200	Renault	7¼	'87 Mar	91½	13.86	18.62	7.92
fl 100	Basf Transatlantica	7½	'87 May	91½	15.23	18.08	8.20
fl 50	Bass Charrington	7½	'87 Aug	91½	13.97	17.27	8.20

HIGHEST YIELDS
to Average Life Above 5 Years

Amt	Security	%	Mat	Middle Price	Yield Mat	Ave Life	Curr
$ 75	Caisse Nat Autoroutes	15⅝	'97 Mar	118⅛	12.72	11.74	13.44
$ 200	World Bank	8¼	'92 Mar	87	11.00	11.72	9.47
$ 50	Ingersoll-Rand Intl	13¾	'95 Oct	107	11.97	11.65	12.85
$ 40	Ottawa-Carleton	14⅛	'97 Jun	113	12.51	11.55	13.05
$ 50	Dome Petroleum	10	'94 Jul	93½	11.20	11.49	10.70
$ 50	Macmillan Bloedel	9⅝	'93 Mar	97¾	10.80	11.03	10.00
$ 50	Caisse Nat Autoroutes	9⅝	'97 Mar	97¾	10.52	11.00	9.89
$ 50	Macmillan Bloedel	9	'92 Feb	92½	10.75	10.94	9.72
$ 125	Michelin	10	'94 Aug	96	10.71	10.86	10.42
cn$ 50	Canadian Utilities	17	'96 Dec	118	13.71	13.03	14.41
$ 50	Indust Bank Japan Fin	11¾	'95 Dec	98½	11.88	11.94	11.80
cn$ 40	Royal Bank Of Canada	10	'94 May	96½	10.63	10.73	10.36
cn$ 40	Royal Bank Of Canada	9	'92 Feb	95	10.14	10.29	9.47
ecu 40	Reg Auto Transp Paris	10⅛	'92 Apr	104⅝	9.80	9.45	10.28

HIGHEST CURRENT YIELDS

Amt	Security	%	Mat	Middle Price	Yield Mat	Ave Life	Curr
$ 175	Mexico	18½	'97 Jul	107	17.00		17.29
$ 75	Pemex Petroleos Mexic	17¼	'86 Nov	101½	15.08		17.24
$ 75	Transcanada Pipelines	17⅛	'88 Oct	105¼	14.88		16.78
$ 75	Occidental Intl Finan	16⅛	'87 Mar	101	15.57		16.58
$ 60	Gulf States O/s Finan	17½	'88 Oct	105¼	14.64		16.53

ZERO-COUPON BONDS

Jan. 23

Security	Final Maturity	Original Offerings Amt	Year	Price	Offered Price
American Intl Group	15 Aug 2004	$ 750	1984	12	14
Asian Develop Bank	31 Aug 2004	$ 1800	1984	10½	15¾
Atlantic Richfield Os	4 Feb 1992	$ 500	1982	25¾	55⅝
Baker Intl Finance	25 Feb 1992	$ 225	1982	24.70	53¾
Beatrice Foods O/s	9 Feb 1992	$ 250	1982	25⅝	51
Campbell Soup O/s Fin	21 Apr 1992	$ 200	1982	27	56
Caterpillar Fin Serv	11 Aug 1992	$ 300	1982	24	51⅝
Caterpillar Fin Serv	11 Feb 1994	$ 140	1982	19.94	42¾
Central Savings Bank	15 Feb 2010	$ 1200	1985	5.995	8½
Commerzbank	22 May 1995	dm 300	1985	50	56½
Commerzbank	4 Aug 2000	dm 300	1985	33½	40⅛
Connecticut Mut Life	11 Sep 2000	$ 115	1985	18.80	23⅝
Dow Chemical	30 May 1997	100	1985	21	29⅝
Du Pont O/s Capital	11 Feb 1990	$ 300	1982	43.90	72
Eksportfinans	3 Oct 1994	$ 340	1984	32⅛	43⅞
Electricite France	11 Sep 1994	$ 500	1984	33⅛	44
Exxon Capital	15 Nov 2004	$ 1800	1984	11.65	16⅛
Florida Feder Savings	15 Jul 1995	$ 160	1985	26.15	27½
Gaz De France	23 Feb 1992	$ 150	1982	25.82	54⅝
Gaz De France	1 Mar 1994	$ 150	1982	19.85	38⅞
General Electric Cred	17 Feb 1992	$ 400	1982	24.88	56¼
General Electric Cred	17 Feb 1993	$ 400	1982	22.80	52
General Electric Cred	4 Mar 1994	$ 200	1982	19¾	38⅝
General Electric Cred	4 Mar 1995	$ 200	1982	17¼	42
General Electric Cred	10 Jul 1996	$ 600	1984	25.55	27¼
General Mills Inc	15 Aug 2004	$ 250	1984	11.65	15¼
General Mills Inc	15 Aug 2013	$ 1000	1984	4.88	6¼
Gmac O/s Finance	18 Feb 1990	$ 150	1982	34	72
Gmac O/s Finance	3 Feb 1992	$ 250	1982	25¼	56½
Gmac O/s Finance	1 Oct 1992	$ 400	1982	27¼	53
Gulf Oil Finance	2 Mar 1992	$ 300	1982	25.82	54⅝
Hewlett-Packard Fin	2 Jun 1991	$ 150	1985	64⅛	63⅞
New England Life	1 Feb 1999	$ 90	1984	29⅞	27⅛
Nordic Investment Bk	11 Sep 1994	$ 150	1984	31⅛	43⅝
Pearson	7 May 1992	1100	1985	48⅝	47⅛
Penney Jc Global Fin	17 Feb 1994	$ 250	1982	18½	45⅝
Pepsico Capital	4 Feb 1999	$ 250	1984	26	57⅛
Pepsico Capital	2 Mar 1994	$ 125	1982	20¾	46⅛
Philip Morris Credit	22 Feb 1990	ecu 120	1985	55.70	53⅝
Philip Morris Credit	8 Jun 1994	$ 200	1982	22⅛	44½
Prudential Realty Sec	15 Jun 1999	$ 345	1984	20.85	20⅞
Redland Finance	25 Apr 1992	[illegible]	1984	48	47½
Reynolds RJ O/s	19 Feb 1992	$ 400	1982	25⅛	54⅝
Sears Overseas	19 Feb 1992	$ 400	1982	24.72	56
Sears Overseas	27 May 1994	$ 400	1982	23⅜	44½
Sears Overseas	12 Jul 1996	$ 500	1984	20⅝	28⅝
Swedish Export Credit	10 Mar 1994	$ 200	1982	19.78	46⅛
Swedish Export Credit	11 Sep 1994	$ 200	1982	32.925	43⅝
Swiss Bank Corp	14 Nov 1997	$ 400	1984	25	34⅝
Wells Fargo Intl Fin	4 Feb 1989	$ 225	1982	82	46⅞
Xerox Credit O/s Fin	11 Feb 1992	$ 250	1982	25¾	55⅛

(Continued on Page 8)

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Marketmakers in Deutschmark Bonds WestLB
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Herald Tribune (International)

BUSINESS/FINANCE

MONDAY, JANUARY 27, 1986

EUROBONDS

As Doubts on Rates Persist Fixed Coupons Are a Fad

By CARL GEWIRTZ

International Herald Tribune

PARIS — Converting uncertainty into money is the way investment bankers explain the latest fad in the Eurobond market — the sale of options to buy fixed-coupon bonds. The uncertainty, of course, is the level of U.S. interest rates during the coming decade.

Corporate treasurers, judging by their willingness to sell options on high-coupon, non-callable paper, would appear to believe that rates are headed higher. And investors, judging by the high prices they are willing to pay for those options, are willing to speculate that rates will drop.

Chrysler, Westpac Banking, Nederlandse Gasunie, DSM (formerly Dutch State Mines) and Den Norske Creditbank — using very different structures — all used the warrant formula last week to raise money on the international capital market.

Chrysler tagged on to its $100-million of four-year, 10-percent bonds 100,000 warrants to buy eight-year non-callable bonds bearing a coupon of 10⅜ percent. Chrysler used the money-back formula — issuing eight-year warrants at $25 and offering to redeem them at $17 after the fifth year or at $25 at the expiry date.

Eurobond Yields

For Week Ended Jan. 22

U.S.$ lg term, Int'l inst.	9.91 %
U.S.$ long term, ind.	10.11 %
U.S.$ medium term, ind.	10.18 %
Can.$ medium term	10.74 %
French Fr. short term	10.42 %
Sterling medium term	11.73 %
Yen medium term, Int'l inst.	6.47 %
Yen lg term, Int'l inst.	6.64 %
ECU short term	8.74 %
ECU medium term	9.22 %
ECU long term	9.27 %
EUA long term	8.78 %
LuxF med term Int'l inst.	10.10 %
LuxF medium term	9.31 %

Calculated by the Luxembourg Stock Exchange.

Market Turnover

For Week Ended Jan. 24 (Millions of U.S. Dollars)

	Total	Dollar	Non-dollar Equivalent
Cedel	19,076.20	12,164.00	6,912.20
Euroclear	36,102.70	29,427.70	6,675.00

Another plus for the warrants was the relatively uncomplicated structure — they can be exercised for cash with no mandatory waiting period. They ended the week quoted in a range of $32-$36.

The warrants are thought to have an additional speculative appeal as many investors believe the parent company is a better credit than its current triple-B rating indicates. An upgrading would reduce the spread it pays over Treasury paper, leaving room for the warrants to have value even if interest rates move up. However, the coupon on the warrant bond — roughly 100 basis points over current Treasury yields — already anticipates some of that upgrading.

BY CONTRAST, the four-year notes, issued at a price of 100¼, ended the week at a discount of 98⅝, where they yielded 160 basis points, or 1.6 percentage points, over comparably dated Treasury notes.

Westpac also packaged a bond issue with warrants. Its $100-million, 10-year bonds were offered at 100⅞ bearing a coupon of 10, but ended the week down 2¼ points. The bonds are callable after five years at a premium starting at 101½.

Its 200,000 of 10-year warrants are redeemable and bear interest. If unexercised at the expiry date, holders can get back the $50 offering price. For the first five years the warrants pay a dividend of $5, but during that period they cannot be exercised. In the final five years, they can be used to buy 11¼-percent paper maturing in 1996. But to exercise, investors have to surrender the callable host bond rather than paying in cash — a feature that is rapidly fading from favor.

The warrants traded hands at almost $70 each before retreating at week's end to $55. When the dust had settled, traders said an unattractive feature of the warrants was the long waiting period before they can be exercised.

The warrants issued by Gasunie, DSM and Den Norske were notable from the corporate treasurer's view. The bulk of the warrants issued to date have represented the securitization of the call on new issues. That is, a 10-year bond callable after five years was sold along with 10-year warrants, exercisable after five years, to buy paper bearing otherwise identical terms.

This securitization of the call feature has now moved a step further with treasurers selling the call on earlier issues.

Gasunie has an outstanding issue of $75 million of 11¼-percent bonds maturing in 1991 and callable after 1988, starting at a price of 101. Now, Gasunie is offering 75,000 warrants, expiring in 1991, to buy 11-percent bonds maturing at the same date. The warrants are not exercisable until 1988. During the first two years, they will pay a dividend of $2.50.

Initially offered at $26 each, the warrants ended the week at $42. Officials at the lead manager, Morgan Stanley, said the relatively small size of the offering and the high 11-percent coupon on the warrant bond explained the rise.

DSM used an identical structure. It has outstanding $150 million of 11⅜ percent bonds maturing in 1991 and callable in 1988 starting at 101. It is now selling 150,000 of five-year warrants, not exercisable for the first two years, to buy 10¾

(Continued on Page 13, Col. 1)

TI Posts Loss for Quarter

But Chip Sales Said to Improve

By Thomas C. Hayes

New York Times Service

DALLAS — Texas Instruments Inc., still suffering from Japanese competition in its semiconductor unit, has reported losses of $41.2 million in the fourth quarter, compared with a profit of $64.6 million, or $2.64 a share, a year earlier.

But analysts said the loss was lower than expected and indicated that semiconductor sales were improving.

The company also announced Friday that it had filed suits against nine Asian semiconductor makers, charging them with violating Texas Instruments' patents on various computer memory products. The suits assert that it is impossible for the manufacturers, eight Japanese and one Korean, to produce the dynamic random-access memories they are selling in the United States without using technology created by Texas Instruments.

Adam Cuhney, a semiconductor analyst with Kidder, Peabody & Co. in San Francisco, said the suits could result in a ban on sales of those companies' semiconductors by the U.S. International Trade Commission within six months.

"This attack is extremely aggressive and could lead to great improvement for the business of all United States semiconductor manufacturers," Mr. Cuhney said. The ITC decided unanimously Wednesday that Japanese manufacturers had "dumped" 256-K semiconductors below cost to gain a larger share of orders in the United States.

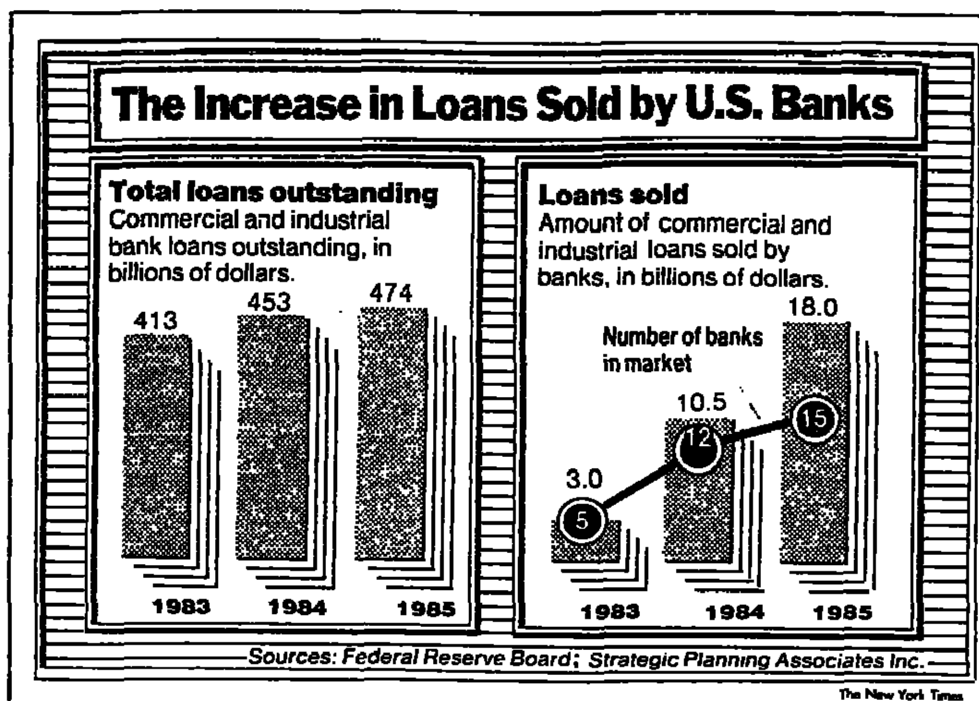
In the fourth quarter, Texas Instruments sales fell 20 percent, to $1.2 billion, from $1.5 billion.

For the year, the company reported losses of $118.7 million, compared with a profit of $316 million, or $13.05 a share, in 1984. Sales fell 14 percent, to $4.9 billion, from $5.7 billion.

Jerry R. Junkins, president and chief executive, said fourth-quarter losses were due principally to lower sales and "sharply" lower prices on semiconductor products. He also noted that Texas Instruments lost market share in 1985.

A recent survey by Dataquest Inc. placed Texas Instruments third among the world's semiconductor manufacturers, after Japan's NEC Corp. and Motorola Inc. of the United States. It was the first year since it helped create the industry nearly 30 years ago in which Texas Instruments had not led in semiconductor production.

Norman Neureiter, a company spokesman, said Fujitsu Ltd., Hitachi Ltd., Oki Electric Industry Co. and Toshiba Corp. of Japan and Samsung Electronics Co., a Korean manufacturer, are five of the companies named in the suits.



The New York Times

Loan-Selling Raises Concern in U.S.

By Eric N. Berg

New York Times Service

NEW YORK — Last October, Manufacturers Hanover Trust Co. lent $180 million to a major oil company. But rather than holding the loan to maturity, as banks have always done, Manufacturers Hanover within weeks sold half of it to other financial institutions around the world.

This is but one example of what banking experts say is a significant change sweeping the banking industry. One after another, major U.S. banks are using their deposits more productively by selling off billions of dollars of their best business loans and relending the proceeds to new customers.

"We try to sell as many of these big wholesale loans as we can," said Francis X. Stankard, chairman of Chase Manhattan Capital Markets Corp.

Carl O. Roark, a senior vice president at Bankers Trust Co., said, "Loan selling is at the core of our strategy as a bank."

Yet as the market for loan sales heats up, concerns are being raised.

Some federal regulators fear that, as banks shear off huge sections of top-quality loans from their balance sheets, the loans that remain on banks' books will increasingly be the worst credits, weakening the nation's largest banks and threatening the safety of deposits. Indeed, one reason the Federal Reserve recently asked banks to increase their capital is that it felt loan selling was weakening banks.

Regulators also fear that the same type of problems could crop up in loan sales that have occurred in loan syndications. Such problems led to the Penn Square Bank debacle. There, banks that participated in energy loans made by Penn Square relied on Penn Square's credit analysis rather than doing their own homework, and consequently had monumental losses when those issued by Penn Square soured.

"Done properly and legitimately, loan sales are fine," said a senior official at the Federal Reserve, who asked not to be named. "But in the back of my mind, I worry that someone will be foolish and irresponsible with loan sales, and that some parties could get hurt as a result."

Some corporate treasurers and chief financial officers are also concerned. Although loans carry the same terms when sold — and corporate borrowers often continue making payments to the original issuing bank — corporate officers say they are made uneasy by the practice.

While recent loan agreements clearly state that the loans may be sold, a borrower often does not know when, or to whom, it has been sold until after the transaction is completed. Knowing to whom a loan will be sold is important, some corporate executives say, because their loans may be bought by smaller banks that they might not want as creditors if their corporations got into trouble.

They also fear that confidential information about their companies might somehow fall into the hands of a competitor. In addition, loan selling, they say, has the potential for wrecking "relationship banking," the close rapport between a borrower and banker that has become the cor-

(Continued on Page 15, Col. 6)

U.S. Tool Orders Declined 13.2% During 1985

By Daniel Cuff

New York Times Service

NEW YORK — The U.S. machine-tool industry ended 1985 with a drop in new orders and analysts said the outlook for this year was only modestly optimistic.

For all of 1985, new orders were down 13.2 percent from 1984, according to figures by the National Machine Tool Builders Association released Monday. Orders in December fell 9.3 percent from November and 30.6 percent from December 1984.

Machine tools cut and shape metal parts. Customers are companies in heavy industry and therefore the health of the machine-tool industry depends a good deal on capital spending plans.

Recent surveys of capital spending show that corporations are planning to scale back expenditures on plant and equipment this year, a move that does not bode well for machine tools.

Some of the uncertainty has been attributed to the unknowns associated with proposed tax changes for depreciation and investment credits. James A. Gray, president of the association, said, "This regrettable decline in orders for the year reflects the uncertainty of machine-tool buyers in light of President Reagan's anti-growth, anti-business tax reform efforts."

"We are concerned," he added, "that these tax proposals, the four-year-old recovery and forecasts of even lower capital spending in 1986 foreshadow continued order decline."

The Commerce Department has reported that capital spending would be cut by 1 percent, after adjusting for inflation, in 1986. Not all analysts, however, were convinced that capital spending might be as bad as the surveys show. A recent report by Andrew J. Silver, machinery analyst at Donaldson, Lufkin & Jenrette, said capital spending could be "surprisingly strong" during the year.

Mr. Silver said capital spending could grow by 6 to 8 percent before inflation, fed by such factors as stronger consumer spending, a reduction in imports and a pickup in exports.

Further optimism was voiced by Richard T. Lindgren, chief executive of Cross & Trecker, a machine-tool company based in Bloomfield Hills, Michigan.

"We feel we are going to have a better year in 1986 than in 1985," he said. "Modestly better. We're looking also for continuing the increase in machine-tool sales as an industry."

Mr. Lindgren said he saw "quite a bit of strength" in the auto industry. "We have been doing proposals on quite a number of projects," he said, "and some of these are going to come home."

He said that there was strength in defense and aerospace and that such construction and agricultural machinery could improve in the next six or eight quarters.

The industry hit a high in 1979, when new orders totaled $5.6 billion. But from 1981 to 1983, the industry went through its severest recession.

Although the recovery has lasted several years, the machine-tool industry, which is also plagued by imports, has not returned to the level of robust orders.

Machine-tool orders in 1985 totaled $2.53 billion, compared with $2.92 billion in 1984, the builders association said.

The tough times have caused a shakeout in the U.S. industry, which includes numerous small firms.

Mr. Lindgren said that as recently as 1981 there were 720 machine-tool companies. Now the figure is closer to 400 and going down, he said.

Imports, which have taken 44 percent of the domestic market, may slow with a weaker dollar but are not expected to give up market share, analysts said.

Slowdowns Cited In Economies of Japan, Britain

United Press International

NEW YORK — The leading indexes, which project the direction of a given economy, are rising steadily in all of the major industrial nations except Japan and Britain, the Conference Board reported.

The U.S. business research organization's International Economic Scoreboard, which tracks both the leading indexes and indicators of current economic conditions, showed Friday that the leading index was rising at an annual rate of 11 percent in Australia.

Behind Australia were Taiwan, 10 percent; Italy, 9 percent; Canada, 6 percent; West Germany and France, 5 percent; and the United States, 3 percent.

The exceptions to the upward trend were Japan, where the growth rate of the leading index has slowed to 1 percent, and Britain, where the index was declining at an annual rate of 1 percent, the board said.

"The most glaring change in the latest numbers is the abrupt reversal in Japan, which has fallen to nearly the bottom of the list," said Edgar R. Fiedler, economic counselor of the Board.

Oteiba Urges Action to Halt Oil Slide

Reuters

LONDON — As Iran and Egypt announced major cuts in their oil production in the face of falling prices, Mana Said al Oteiba, the oil minister of the United Arab Emirates, said Sunday that there was still time for members and non-members of the Organization of Petroleum Exporting Countries to coordinate policies to prevent further price deterioration.

Speaking at a news conference in Abu Dhabi before leaving for a special OPEC committee meeting in Vienna, Mr. Oteiba said that every oil producing nation should act to stop further price cuts. He said the oil industry was passing through "the most critical stage in its history."

Prime Minister Mir Hussein Moussavi of Iran reportedly said the country would halve its oil output until further notice. The Iranian news agency, IRNA, said the move was "an effort to thwart plots aimed at weakening oil exporting countries."

Echoing Mr. Moussavi's suggestion of a Western conspiracy to bring down oil prices, Gholamreza Aqazadeh, Iran's oil minister, said the country had already reduced oil exports and stopped selling oil on the spot market.

Tehran Radio said Sunday that Mr. Aqazadeh spoke at a news conference of an "American-British conspiracy" to drive down prices and said OPEC members should consider using their large level of Western imports as a weapon.

Meanwhile, Egypt, seeking to lessen the impact of depressed oil prices on its economy, aims to reduce production by 100,000 to 150,000 barrels a day in the next few days, a Cairo daily said.

The government-controlled al-Akhbar said Sunday that an agreement on reduced output had been reached between the Oil Ministry and producers operating in Egypt. Egypt is not a member of OPEC. It produces 870,000 barrels a day and exports 300,000 barrels daily.

Last Week's Markets

All figures are as of close of trading Friday

Stock Indexes

United States

	Last Wk.	Prev.Wk.	Ch'ge
DJ Indus.	1529.93	1535.89	—0.39 %
DJ Util.	170.86	172.75	—1.11 %
DJ Trans.	739.20	716.64	+3.15 %
S & P 100	199.94	202.34	—1.20 %
S & P 500	206.25	208.40	—1.04 %
NYSE Cp.	135.97	120.33	+2.30 %

Source: Merrill Lynch, Paris.

Britain

FTSE 100	1389.90	1396.00	—0.44 %
FT 30	1123.90	1118.70	+0.43 %

Hong Kong

Hong Seng	1745.80	1806.80	—3.38 %

Japan

Nikkei 225	12904.20	13009.70	—0.81 %

West Germany

Commerzbk	2057.60	2149.70	—4.28 %

Source: James Capel & Co., London.

Money Rates

United States

	Last Wk.	Prev.Wk.
Discount rate	7½	7½
Federal funds rate	7 15/16	7⅝
Prime rate	9½	9½

Japan

Discount	5	5
Call money	6 13/16	6⅝
60-day interbank	7	7 1/16

West Germany

Lombard	5.50	5.50
Overnight	4.60	N.A.
1-month interbank	4.75	N.A.

Britain

Bank base rate	12½	12½
Call money	10¼	12
3-month interbank	12¾	12 5/16

Dollar

	Last Wk.	Prev.Wk.	Ch'ge
Bk Engl Index	125.80	125.80	Unch. %

Gold

London p.m. fix, $	354.00	352.60	+0.40 %

Currency Rates

Cross Rates

Jan. 24

	$	£	D.M.	F.F.	I.L.	Gldr.	B.F.	S.F.	Yen
Amsterdam	2.736	3.817	112.74 *	36.71 *	0.1655 *	—	5.512 *	132.26 *	138.27 y
Brussels(a)	49.6875	69.25	20.4808	6.66	3.003 *	18.1655	—	24.237	25.13 *
Frankfurt	2.4262	3.384	—	32.54 *	1.4665 x	88.695 *	4.885 *	118.38 *	1.2255 *
London (b)	1.3942	—	3.3725	10.346	2,304.00	3.805	69.175	2.8538	273.30
Milan	1,653.80	2,306.70	681.76	221.55	—	604.29	33.269	806.20	8.421
New York(c)	—	0.7174 ≠	2.406	7.40	1,643.00	2.7175	49.33	2.84	195.75
Paris	7.458	10.398	3.0724	—	4.5055 x	2.7258	15.007 *	3.6314	3.793 *
Tokyo	201.75	281.01	84.73	26.88	12.11 *	73.25	N.Q. *	95.13	—
Zurich	2.0445	2.846	84.465 *	27.47 *	0.1224 *	74.865 *	4.1345 *	—	1.0097 *
1 ECU	0.8951	0.6417	2.1671	6.6579	1,476.95	2.4432	44.3667	1.8332	175.891
1 SDR	1.09953	0.78848	2.66768	8.20029	N.Q.	3.0083	54.6329	2.2559	221.225

Closings in London and Zurich, fixings in other European centers. New York rates at 4 P.M. (a) Commercial franc (b) Amounts needed to buy one pound (c) Amounts needed to buy one dollar (*) Units of 100 (x) Units of 1,000 (y) Units of 10,000 N.Q.: not quoted; N.A.: not available. (≠) To buy one pound: $U.S.1.394

Other Dollar Values

Currency	per U.S.$	Currency	per U.S.$	Currency	per U.S.$	Currency	per U.S.$
Argen. austral	0.80	Fin. markka	5.455	Mex. peso	440.00	Soviet ruble	0.7585
Austral. $	1.4088	Greek drac.	149.00	Norw. krone	7.5375	Span. peseta	153.65
Austr. schil.	17.21	Hong Kong $	7.8065	Phil. peso	18.50	Swed. krona	7.5775
Belg. fin. fr.	50.40	Indian rupee	12.4378	Port. escudo	157.50	Taiwan $	39.49
Brazil cruz.	11,570.00	Indo. rupiah	1,128.00	Saudi riyal	3.6505	Thai baht	26.655
Canadian $	1.4088	Irish £	0.8065	Sing. $	2.1225	Turkish lira	586.60
Chinese yuan	3.2015	Israeli shek.	1.483	S. Afr. rand	2.2779	UAE dirham	3.6728
Danish krone	8.925	Kuwaiti dinar	0.2898	S. Kor. won	893.05	Venez. boliv.	17.28
Egypt. pound	1.34	Malay. ring.	2.454				

£ Sterling: 1.1115 Irish £

Sources: Banque du Benelux (Brussels); Banco Commerciale Italiana (Milan); Banque Nationale de Paris (Paris); Bank of Tokyo (Tokyo); IMF (SDR); BAII (dinar, riyal, dirham); Gosbank (ruble). Other data from Reuters and AP.

Sudan Nears Agreement With IMF

Compiled by Our Staff From Dispatches

KHARTOUM — The International Monetary Fund and Sudan's Finance Ministry have agreed on an economic policy plan, Finance Minister Sidahmed Taifour said Sunday.

He said the proposals would go to the cabinet before Friday. If the ministers approve, the accord would substitute for one that was rejected by the cabinet in November.

Sudan urgently needs a clean bill of health from the IMF to raise money from Arab and Western donors to pay overdue debts, including more than $220 million due to the IMF by Feb. 3. On Jan. 3, the IMF gave Sudan a month to repay the $220 million or be officially declared in default.

Sudan's debt-service ratio has risen because drought has undermined agricultural exports and much of the cotton crop is unsold. Mr. Taifour said servicing the overall debt took 125 percent to 150 percent of export receipts of about $870 million.

Mr. Taifour declined to give details of the policy plan but said it was a standard IMF package, which usually means limits on the budget deficit, a relaxation of price controls and measures tantamount to currency devaluation.

Trade Minister Sidahmed al-Sayyed said earlier that the IMF had agreed to let government borrowing exceed the $80 million stipulated in the earlier, rejected accord. It had also agreed that the money-supply rate be raised from 20 to 25 percent, Mr. Taifour said.

Mr. Taifour, who took over a month ago after his predecessor resigned in the dispute over IMF terms, said a Sudanese delegation that visited the IMF in Washington earlier had promised to pay $10 million toward the $220 million in arrears before Feb. 3.

(Reuters, AFP)

Oil Slump Revives Fears on Latin Debt

By Alan Riding

New York Times Service

RIO DE JANEIRO — Barely three months after a U.S. initiative raised hopes of an easing in Latin America's financial problems, there is a renewed urgency about the region's debt crisis.

The immediate catalyst of the concern is the drop in world oil prices, which has shaken Mexico and Venezuela, two major debtors that depend overwhelmingly on oil revenues to maintain interest payments on their debts.

This has coincided with mounting opposition to Argentina's austerity program and a wave of nationalism in Brazil that has prompted the regime to take a firmer stand in its talks with creditors and the International Monetary Fund.

Foreign bankers and officials in the region said that these four debtors or countries, which among them owe about $285 billion abroad, were under greater pressure than ever before to reduce their foreign payments and give priority to domestic expansion, moves that would inevitably lead them into conflict with their creditors.

They also pointed out that, while the drop in oil prices would bring savings of perhaps $1 billion this year for Brazil, which imports 450,000 barrels a day, the damage to Mexico and Venezuela was expected to have a much greater destabilizing effect on the regional debt situation.

This has overshadowed the initiative made by Treasury Secretary James A. Baker 3d last October. That initiative called for an infusion of $9 billion from international lending organizations and $20 billion from commercial banks over a three-year period to 15 governments — 10 of them in Latin America — if they worked out economic adjustment programs with the IMF.

So far, no concrete actions have been taken as the result of the initiative, which bankers and officials say involves resources far smaller than needed to confront the present crisis. "We still have no direct U.S. government involvement in providing funds," an American banker noted. "There is no way that the government can stay in the back seat."

After the debt crisis surfaced in 1982, Mexico adopted a tough IMF-approved austerity program and seemed on the way to recovery until oil prices began tumbling last year. Mexico exports 1.5 million barrels a day, which accounts for 75 percent of its exports.

While President Miguel de la Madrid was willing to assume the political risks of cutting government spending and holding down wages, even before the latest oil-price reductions, Mexico said it required $4 billion in fresh loans to keep up interest payments on its $96 billion in foreign debt. Now, according to some estimates, Mexico may need as much as $8 billion in new money this year.

"There's no way that Mexico can find that money at home and there's no way it can raise it with commercial banks," a foreign banker said.

Argentina won accolades in the international community after it imposed a tough austerity program last June, which dramatically reduced inflation, stabilized the exchange rate and enabled the IMF and foreign banks to resume loan disbursements. But the plan also pushed the Argentine economy into a deep slump.

Last week, President Raúl Alfonsín faced an additional problem, with the IMF suspending disbursements of a $1.4-billion standby credit because the government's deficit exceeded agreed limits in the last quarter of 1985.

In Brazil, the region's largest debtor, owing $104 billion, opposition to the IMF is being led by the government itself, with a 7.4-percent surge in economic growth last year apparently serving to vindicate President José Sarney's decision to ignore calls for austerity.

But while Brazil is up to date on its interest payments, the government's relations with its commercial creditors have been tense. Foreign banks, alarmed by rampant inflation, are reluctant to provide concessionary terms for a debt-restructuring package unless the country first obtains some endorsement of its policies from the IMF.

Even in Venezuela, a country with $31 billion in debt but a healthy $13.5 billion in reserves, the debt question has become highly politicized in recent months. President Jaime Lusinchi is being urged to renegotiate a draft agreement to restructure $21.2 billion in debt in order to compensate for revenue losses.

Siemens Seeking Closer Ties To French Telephone Firm

New York Times Service

BONN — Siemens AG, West Germany's largest electronics and telecommunications group, has announced that it had sought to hold talks aimed at closer cooperation with Cie. Générale de Constructions Téléphoniques, the government-owned company that is France's second-largest supplier of telecommunications equipment.

A French government spokesman said Friday that Siemens had also expressed interest in acquiring a stake in the telecommunications group. But Siemens officials said it was premature to say what direction the talks would take.

The move came days after Siemens announced an agreement with GTE Corp. of Stamford, Connecticut, to cooperate in telecommunications. It also reflected a reshuffling in the world market for digital telephone exchanges, with companies seeking partners to deal with development costs and competition fostered by deregulation.

The effort by Siemens to woo the French is of particular significance, since France's Cie. Générale d'Electricité, another state-owned company, is negotiating a complex arrangement with American Telephone & Telegraph Co. and Philips NV, the Dutch electrical and communications giant. Those negotiations seek cooperation in developing and marketing telephone switching systems.

French authorities are reportedly resisting that agreement, but Siemens officials said Friday that their feeler had been extended at the French government's invitation.

SELECTED U.S.A./O.T.C. QUOTATIONS

	BID	ASK
Apollo Comp.	13½	13¾
Mr Gasket	9	9⅛
Bitter Corp.	5¼	5¾
Moduloire	11⅝	11⅞
Rodime	12¾	13

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AVIS
aux porteurs de parts de
EAST INVESTMENT FUND

Le conseil d'administration de East Investment Fund Management Company S.A. (anc. Arab Japan Fund Management Company S.A.) a décidé de modifier comme suit les dispositions des articles 1 et 16 du règlement de gestion de East Investment Fund.

L'article 1 du Règlement de Gestion est modifié comme suit:
A l'initiative de Daiwa Europe N.V., Amsterdam et Gefinor Investment Limited, Nassau, «East Investment Fund» (ci-après nommé le «Fonds») est constitué sous forme de fonds commun de placement conformément aux lois du Grand-Duché de Luxembourg en copropriété indivise de l'ensemble de ses valeurs mobilières et autres avoirs, géré dans l'intérêt des copropriétaires (ci-après désignés «les porteurs de Parts») par East Investment Fund Management Company S.A. (ci-après dénommée «la Société de Gestion»), une société de droit luxembourgeois établie et ayant son siège social à Luxembourg. Les avoirs du Fonds qui sont confiés à la garde de la Kredietbank S.A. Luxembourgeoise (ci-après dénommée la «Banque Dépositaire») forment un patrimoine distinct de celui de la Société de Gestion. En acquérant des Parts de Fonds, tout porteur de Parts adhère pleinement au présent Règlement de Gestion qui détermine les rapports contractuels entre les porteurs de Parts de la Société de Gestion et la Banque Dépositaire.

Le premier alinéa de l'Article 16 du Règlement de Gestion est modifié comme suit:
La durée du Fonds n'est pas limitée. Le Fonds pourra être dissous à n'importe quel moment sur décision de la Société de Gestion, et il sera dissous en cas de dissolution de la Société de Gestion. L'avis de dissolution sera publié au Mémorial, Recueil Spécial des Sociétés et Associations du Grand-Duché de Luxembourg et dans au moins trois journaux luxembourgeois et étrangers à diffusion adéquate. La dissolution deviendra effective après sa publication. L'émission et le rachat des Parts seront arrêtés dès la décision ou la survenance du fait entraînant la liquidation.

East Investment Fund Management Company S.A.

International Bond Prices

(Continued from Page 6)

Amt	Security	%	Mat	Middle Price	Yield Mat	Yield Ave Life	Yield Curr
$ 25	Pacific Lighting O/s	8	'88 Apr	97	9.52	10.11	8.25
$ 65	Pacific Lighting Intl	15¾	'89 Jul	104	14.10		15.14
$ 100	Pembroke Capital	9⅝	'87 Jul	98	11.07		9.82
$ 200	Pembroke Capital	13¾	'92 Sep	105	12.65		13.10
y 20000	Penney Jc Co Inc	6⅝	'92 Feb	99¾	6.83		6.78
$ 100	Penney Jc Financ Corp	12⅜	'91 Oct	107¼	10.48		11.47
$ 100	Penney Jc O/s Finance	11⅞	'90 Oct	104¾	10.52		11.34
$ 15	Pennwalt O/s Finance	8	'87 May	98¼	9.46	9.94	8.14

FOREIGN TARGETED BONDS OF THE US TREASURY AND OF ITS AGENCIES

DM STRAIGHT BONDS

AUSTRALIA

AUSTRIA

BELGIUM

CANADA

CHINA

DENMARK

FINLAND

FRANCE

GERMANY

HUNGARY

ICELAND

IRELAND

ITALY

JAPAN

LUXEMBOURG

MEXICO

MISCELLANEOUS

NETHERLANDS

NEW ZEALAND

NORWAY

PORTUGAL

SOUTH AFRICA

SOUTH AMERICA

SPAIN

SUPRANATIONAL

SWEDEN

SWITZERLAND

UNITED KINGDOM

UNITED STATES AMERICA

NASDAQ National List

OTC consolidated trading for week ended Friday.

CONVERTIBLE BONDS

EUROPE

JAPAN

MISCELLANEOUS

UNITED STATES AMERICA

HIGHEST CURRENT YIELDS

On convertibles having a conversion premium of less than 10%.

Explanation of Symbols

CNS	Canadian Dollar	SDR	Special Drawing Rights
ECU	European Currency Unit	Y	Yen
EUA	European Unit of Account	LFR	Luxembourg Franc
L	Pound Sterling	SFR	Swiss Franc
DM	Deutsche Mark	FF	French Franc
NMD	Norwegian Kroner - DM		

هكذا من الأصل

Herald Tribune INTERNATIONAL

LATIN AMERICA

A SPECIAL FINANCIAL REPORT

MONDAY, JANUARY 27, 1986

Behind Baker Plan: A Trade Deficit — And the Kremlin

By Clyde H. Farnsworth

WASHINGTON — There were two basic forces at work in Washington last October when the Reagan administration abandoned a stance of benign neglect and initiated a plan to help debtor countries that help themselves.

One was the huge and growing trade deficit of the United States, much of which was caused by a sharp contraction of imports by Brazil, Mexico and other heavily indebted countries that suddenly had to tighten their belts to make ends meet.

The other was a surge of Soviet diplomatic activity in the leading debtor countries, which are principally in Latin America.

"The Soviets were expanding personnel in their Latin embassies by a factor of 10," a senior U.S. diplomat reported.

For some in the White House, deeper Marxist penetration south of the border posed huge dangers for the United States and the Western alliance. One of the scenarios envisioned was that U.S. troops might have to be withdrawn from Western Europe to be stationed along the Rio Grande.

There was no comfort from the economic numbers. U.S. exports to Latin America had fallen by about a third between 1981 and 1984. Per-capita income in Latin America was down by 12 to 15 percentage points and unemployment was up.

"Without a revival of capital inflows, the future for these countries is bleak," said Pedro-Pablo Kuczynski, managing director of First Boston Corporation and a former energy and mines minister of Peru.

That Moscow was trying to capitalize strategically on the debt crisis and that industrial cities in the United States were fast losing export jobs because of the recessions in Latin America brought a chill to the muggy early fall in Washington.

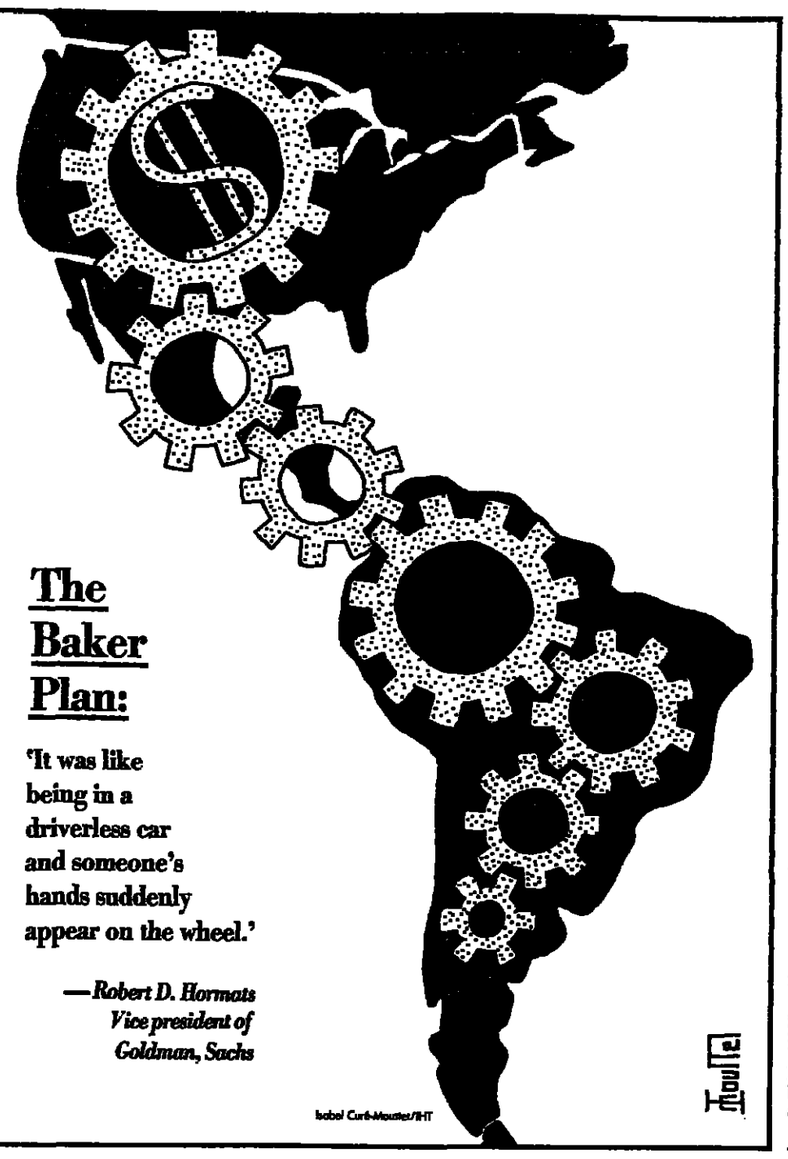
What could be done? Administration officials agreed that the options were limited. "We just couldn't throw money at them," said a key policy-maker involved in formulating the so-called Baker plan.

That refers to the compact between debtors and creditors that finally emerged as the main theme of a speech before the annual World Bank and International Monetary Fund conference in Seoul last Oct. 8 by the U.S. Treasury secretary, James A. Baker 3d.

The compact was that creditor governments, commercial banks and the big international lending institutions would assure debtor countries of an adequate flow of money to finance economic growth. The 15 biggest debtors were slated to get an extra $29 billion over three years.

But to qualify, the debtors

(Continued on Next Page)



The Baker Plan:

'It was like being in a driverless car and someone's hands suddenly appear on the wheel.'

—Robert D. Hormats, Vice president of Goldman, Sachs

Isabel Curé-Mouster/IHT

At the Critical Point, Debtor Countries Look To a Political Solution

By Juan de Onis

RIO DE JANEIRO — The Latin American foreign debt situation is at the most critical point since the crisis began in 1982, when Mexico announced to the world that it could not pay its creditors.

The situation is dramatic because the Latin American economies, with the exception of Brazil, are not growing fast enough to maintain living standards and make debt payments at the same time.

"The debt service is draining Latin America of the capital it needs for investment. It's like taking blood from a patient who needs a transfusion," said Raúl Prebisch, an Argentine economist.

The sense of crisis is increased by the communications gap that exists between the Latin American debtors and the capitalist centers of economic policy-making.

For more than 18 months, the major Latin American governments have been seeking, without success, a comprehensive negotiation on the related problems of debt, development aid and trade with the Group of Five. This steering committee of the United States, Japan, West Germany, France and Britain dominates the Western trading system and international finances.

The most that has emerged as a policy response at the top level is the so-called Baker plan, offered by U.S. Treasury Secretary James A. Baker 3d last fall, to channel $29 billion to the Latin American debtors over the next three years.

The total is less than has been flowing out of Latin America in each of the last two years to cover debt servicing. Without international measures leading to lower interest rates on the debt and expanded trade, the Baker plan leaves the Latin American debtors deeper in the hole.

Over the past four years, Latin America's developing economies have transferred abroad $100 billion more than came into the region. The net loss in 1985 was more than $30 billion, according to figures prepared by the United Nations Economic Commission for Latin America (ECLA).

ECLA's preliminary estimate is that there was only 2.4 percent growth in Latin America during the past year, even with Brazil, which represents 40 percent of the region's output of goods and services, growing more than 7 percent.

That means that in most countries the region's economic growth lagged behind population growth and job opportunities were insufficient to absorb new workers. Slums grew around the major cities, rural modernization remained little more than a dream and there was growing hunger, illiteracy and disease.

This malaise has been growing since Latin America stopped its rapid economic expansion of the 1970s, a period during which the foreign debt grew from $20.8 billion in 1970 to $170 billion at the end of 1979.

During this explosive growth of the region's foreign debt, ECLA's figures show a decade of economic growth at a healthy annual rate of 6 percent, compared with population growth of 2.5 percent. Per-capita income climbed during the decade to more than $1,000 a year, at 1970 prices.

This process collapsed when capital flight began and international interest rates, led by the United States, climbed to three times more than those that prevailed during the 1970s. The disaster was compounded by the steady decline since 1980 of basic commodity prices. Both interest rates and terms of trade are factors over which the Latin American economies have no control.

The outward flow of capital poses a paradox that is seen by the region's democratic political leaders as unsustainable. Without a resumption of economic growth for the region's 375 million people, they say that the debt service cannot be paid as it is now structured.

The debtors are joining forces, not in a cartel but as a negotiating front. They are insisting that the debt situation can only be managed "politically" by sovereign governments since policy decisions on interest rates, trade and multilateral aid must be made by governments, not private bankers.

That is the unequivocal message that came out of the meeting on Dec. 17 in Montevideo of the foreign ministers and finance ministers of the 11-nation Cartagena group created by the debtors in that Colombian city in June 1984.

"The international economy is going through a period of profound disequilibrium and no effort on our

(Continued on Next Page)

Austerity — How Much Is Too Much?

By William A. Orme Jr.

MEXICO CITY — Latin American debtor nations, concerned about the political risks of their continuing financial crisis, are beginning to question austerity measures of the International Monetary Fund at the same time that creditors are demanding that they take further steps toward market-oriented economic reforms.

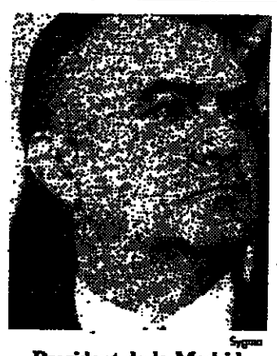
Although they have not formulated a coordinated strategy as yet, several leaders have indicated that political priorities would take precedence over satisfying creditors of the region's roughly $360-billion debt.

The campaign for a more flexible attitude on lending has been spearheaded by the three largest debtor nations — Brazil, Mexico and Argentina — as well as Peru, which, after threatening to pull out of the IMF unless it eased its austerity demands, unilaterally decided to limit its repayments to 10 percent of export earnings.

The threat to political stability in the newly redemocratized nations of the region — nine countries have switched from military to civilian rule since 1980 — was pointed out by Brazil's President José Sarney at a recent General Assembly meeting at the United Nations. "Brazil will not pay its foreign debt with recession, not with unemployment, nor with hunger," he said.

"We are faced with a dramatic choice: It is either debt or democracy," noted President Alan García Pérez of Peru.

President Miguel de la Madrid, who was prevented from attending the meeting because of the earthquake disaster, had been expected to make the crucial point that Mexico, which has often been held up as a model of compliance with IMF measures, was still falling further into debt.



Sygma

President de la Madrid

'We saw the danger to de la Madrid in sending money to foreign banks in the aftermath of a natural disaster.'

—A New York banker

Mexico's creditors believe the country will again overshoot its announced economic targets this year and are demanding substantive "structural reforms" as the price of the $2.5-billion commercial loan that Mexico is seeking for 1986, Western bankers and diplomats report.

"We sincerely believe that we are doing this for Mexico's own good, as well as our own," said a U.S. banker involved in the negotiations. "We're convinced that we have a sick patient here, and if we don't do something to cure the disease, we're going to catch it ourselves."

Mexican officials argue in reply that they have already implemented major structural reforms, often at politically painful cost. Among the many significant steps taken by the government, its defenders note, is the dramatic turnaround of Mexico's historic pattern of trade deficits, paralleled by the controversial decision to join the General Agreement on Tariffs and Trade — a long-term commitment to tariff liberalization that is adamantly opposed by unions and most industrialists.

President de la Madrid's administration also has forced Mexico's powerful government-aligned unions to accept continual industrial salary cuts, which, since 1981, have almost halved real median wages. Most importantly for creditors, the government has punctually met all its foreign loan commitments, publicly terming the debt's repayment a matter of "national honor."

Yet, debt obligations "cannot take precedence over the needs of the people," Finance Minister Jesús Silva Herzog warned in a November speech before Mexico's Congress but directed toward bankers. He added, "It isn't valid to think even for a moment that these needs might be sacrificed in the attempt to satisfy foreign creditors exclusively."

"Something has to give," Mr. Silva Herzog said. "The debtor nations are paying dearly for a problem whose responsibility clearly must be shared."

But Mexican politicians worry aloud that foreign debt servicing and domestic wage cuts already represent sacrifices that are undermining the country's ruling party and the political stability that it has maintained for half a century.

The tougher, more binding strings that banks are attaching to Mexico's 1986 loan package are portrayed by creditors as an outgrowth of the Baker plan.

When the proposal of U.S. Treasury Secretary James A. Baker 3d for fresh lending to debtor nations was unveiled last year, it was publicly welcomed by Mexican finance officials as an overdue U.S. recognition of "the political dimensions of the debt crisis" and as an implicit acknowledgment that International Monetary Fund budget-cutting strategies had failed to recharge the region's stalled economy.

But on the other side of the negotiating table, the Baker plan is saluted as an explicit U.S. endorsement of the need for stricter loan conditions than those imposed by IMF agreements. In contrast to the IMF, Mexico's commercial creditors are less interested "in percentages and monetary data than we are in trends," a major money-center banker said.

Decisions about Mexico's 1986 and future loan requests will be based on "subjective" judgments about government spending patterns and the private investment climate, criteria "which jibe perfectly with the premises of the Baker plan," he said.

Bankers are now saying that doubts about Mexico's economic outlook and the refusal of some smaller creditors to contribute to the new loan could delay its approval and disbursement until June. Mexican officials had hoped to receive funds from the credit by February or March, in part to offset the oil price decline anticipated for early spring.

Without an influx of fresh foreign credit, Mexico in the first half of 1986 will find it "extremely difficult" to substantially reduce its deficit, which is "by far the biggest single macroeconomic problem that Mexico now faces," a U.S. government economist said.

Sygma

Last year's catastrophic earthquake in Mexico City, left, added to Mexico's already severe economic problems. At right, demonstrators in Lima during the election campaign that brought President Alan García Pérez to power.

"Internal interest payments are now a much more serious problem for Mexico than the foreign debt," a U.S. Treasury Department analyst said.

With the earthquake that struck Mexico City on Sept. 19 further straining the country's finances, the 1985 deficit swelled to 9.6 percent of GDP, according to Mr. de la Madrid's November estimate. This was the government's worst fiscal performance since it started

(Continued on Next Page)

Pronural

Young Brazilian students in Paraná state, beneficiaries of the Inter-American Development Bank's Prorural development program. The plan has been praised as one the most successful of its kind in Latin America. **Page 11.**

INSIDE

SWAPPING FOR foreign debt has created one of the world's most unusual second-hand markets as the debt crisis continues. **Page 10.**

BRAZIL'S RECOVERY, now in its third year, has belied the pessimistic appraisals of its critics, a Brazilian banker comments. **Page 11.**

THE WORLD BANK needs to radically change its mode of operation to be effective, some of its critics in Brazil believe. **Page 11.**

'THE SMALL-DEBTOR syndrome' has resulted in crippling debt-service ratios for nine economically-troubled small countries. **Page 10.**

The Urgent Priority: Finding Catalysts for Growth

By Pedro-Pablo Kuczynski

NEW YORK — This year will mark the fourth anniversary of the Latin American debt problem, which started in Mexico in August 1982. An international financial catastrophe was averted at the time, as debtor countries cooperated with the International Monetary Fund in a major belt-tightening effort.

Almost four years later, it is clear that remarkable progress has been made in defusing the emergency. At the same time, it is equally clear that there is not yet a clear direction of where to go next. The major debtors have suffered a 12-percent to 15-percent decline in their per-capita incomes, which puts them back where they were 10 years ago, but with larger and more restless populations.

VIEWPOINT

It is urgent to get growth moving again. Otherwise, there is a danger that problems such as the fiscal, financial and social difficulties of Mexico in the last year could turn out to be more serious and thus jeopardize the efforts made so far.

A striking fact of the last three years is that the Latin American countries have basically paid for the heavy interest burden on their external debt, which was about $35 billion to $40 billion in 1985, including trade debt, or 35 percent to 40 percent of their export earnings. They have done this by cutting back imports by about 30 percent and building up a large trade surplus.

The surplus amounts to 3 percent to 4 percent of regional gross national product, or twice that of Japan in relative terms. There are two key points about the surplus.

First, as long as countries are not able to import more, their growth will be stunted. There is obviously no need to go back to the freewheeling waste of 1980-1981, when whisky and cars flooded into Latin American countries and capital rushed out. But some growth in imports of equipment, parts and raw materials is essential. As long as the entire trade surplus has to be used up to pay interest, this is not possible.

Secondly, the moribund state of the Latin American market has deprived major world exporters, such as Western Europe, Japan, Korea and Brazil itself, of a major "overflow" market. Pressure is thus put on these exporters to expand in the only large open market in the world, the United States, exacerbating protectionist tendencies there.

Capital inflows are needed in order to get growth moving again. Since James A. Baker 3d, the U.S. Treasury secretary, outlined a plan for commercial banks to increase their lending to poor nations in Seoul in October, all eyes have been on the World Bank.

The World Bank and the Inter-American Development Bank have so far taken a back seat in the debt problem. They have increased disbursements significantly, but the net flows after recovery of interest and principal are still modest.

The feeling in the multilateral development banks was that the first stage of the debt problem, namely a balance of payments crisis, was mostly a challenge for the International Monetary Fund. Now that it is clear that the road to recovery is a long one, a clearer response is needed from the development institutions.

After Mr. Baker put on record that the U.S. government was willing to help, a more aggressive approach can now be justified. It obviously has to go hand in hand with an increase in the capital resources of both institutions, basically guaranteeing commitments but not cash from their shareholding governments. Many ideas have been floated on how to get more lending from the multilateral development banks. They require careful study and time to be carried out. In the meantime, the two institutions together have undisbursed loan commitments, already made for concrete development projects, of close to $25 billion. The obvious priority is to get this money out. Countries are paying commitment fees on it but cannot draw it down fast enough because they do not have the matching local resources.

For a temporary period, the development banks could raise the proportion of program costs they cover. This would be a form of balance of payments assistance, but that is what many economies need and this would have the advantage of being related to specific projects and programs rather than general-purpose aid. As economies revive, private investment will recover and so will investment from abroad. Wishing it and talking about it will not make it happen. The fundamental ingredient is a continuous period of realistic and consistent economic policies, particularly on exchange rates and fiscal policy. Deregulation and the elimination of stifling export taxes are fundamental.

A serious beginning has to be made on reducing the role of state enterprise. Argentina has made an auspicious start with the Plan Austral launched last June. Brazil and Mexico have started to sell off important state holdings. A portion of the $25 billion or so that fled Argentina in 1979-1982 is ready to return, attracted by the new positive environment as well as by rather high domestic interest rates. The return of flight capital will be the first clear sign that the Latin American economies are really on the mend.

But the outlook is still uncertain. International economic expansion rests on fragile foundations, with a loss of dynamism combined with higher interest rates in the United States at least a possibility, despite forecasts to the contrary.

Mexico needs a very large injection of funds to pay interest on its external debt in 1986, without counting additional needs if petroleum prices fall further. The revival of growth without too much inflation continues to be an elusive goal. Commercial banks are getting "debt fatigue" and increasing numbers of them are unwilling to put up more new money for debtor countries.

Fortunately, it has not been necessary to reschedule interest payments, an eventuality that could be expensive for the stockholders of major international banks and for the debtors themselves. If the world economy continues on a moderate upward course and cool heads prevail, less drastic remedies would be needed in order to continue forward.

The writer is co-chairman of First Boston International and managing director of the First Boston Corporation, New York. The opinions in this article are personal.

A SPECIAL REPORT ON LATIN AMERICA

Swaps: The Making of an Unusual Market for Debt

By Nicholas D. Kristof

LOS ANGELES — One of the world's most unusual second-hand markets these days is for foreign debt.

Conducted largely in secret and regarded with some anxiety by the big New York banks, the market allows a bank or investor to purchase loans that banks want to be rid of. The debt sells at a discount, ranging, say, from 10 cents for each dollar of face value for Bolivian loans to about 70 cents on the dollar for the better-rated Mexican debt.

"It is growing each year, particularly as the Latin debt situation doesn't show signs of improvement," said Komal S. Sri-Kumar, a private consultant in New York on Latin American economies.

The sellers are primarily small, regional banks in the United States and abroad, who are fed up with the modest sums of Third World debt on their books. Sometimes they sell them outright for cash; more often they swap them for debt with which they are more comfortable.

Because the deals are conducted in secret, no one has a clear idea of how many trades and sales occur. But by all accounts, business is growing quickly and volume is in the billions of dollars.

Mr. Sri-Kumar, in a recent study, estimated that $3 billion to $4 billion of debt turns over in the secondary market each year. That is still a small fraction of the roughly $360 billion that Latin American nations owe to banks in the United States, Europe, Japan and elsewhere.

Economists, bankers and policy-makers are still grappling with the implications of the second-hand debt market. Some herald the market as a way to ease the world's debt problems, by allowing banks holding Third World debt to reduce their exposure.

"It means that banks don't need to live with their mistakes," said Giacomo de Filippis, an investment banker in New York who pioneered the debt market.

The World Bank has discussed the secondary market in that context and some academic economists have urged the International Monetary Fund and the Reagan administration to encourage the market by functioning as an intermediary. Others are less sanguine.

Some big banks, in particular, feel that sales and swaps of loans could encourage the perception that their loans to Argentina, Brazil and other countries are worth much less than their book value. Furthermore, small banks may be less willing to provide fresh money to debtors, as required in debt rescheduling packages, if it is country will purchase its own government's obvious that the new loans will instantly be worth less than their face value.

The big banks also believe that the secondary market has relatively little to offer them, because they have far too much Latin debt to sell or swap.

Ironically, while executives on the lending side of some big banks disdain the secondary market, executives in the trading divisions of the same banks are eager to enter the business because of the potential for big profits. For example, tensions reportedly have arisen at the United States' largest banking company, Citicorp, between executives involved in lending and those who have set up a group that arranges sales and swaps of debt by other institutions.

Price quotations for debt are unreliable because they change and because the market is small, particularly for outright sales. But they do give an indication of the creditworthiness of a country. For example, last summer, Mexican debt traded for 80 cents to 85 cents for each dollar of face value. Today, in the aftermath of the September earthquake and Mexico's financial difficulties because of falling prices of the oil it exports, Mexican debt sells for about 70 cents on the dollar.

Other recent price quotations include: Chile, 65 cents to 70 cents on the dollar; Venezuela, 77 cents to 82 cents; Argentina, 70 cents to 73 cents; Brazil, 78 cents to 82 cents; and Nicaragua and Bolivia, about 10 cents.

Although most of the trading involves Latin American debt, more and more of it has spread to Asian and East European loans. U.S. banks have been particularly willing to sell Polish loans, because these are already written down on their books and the bank does not need to record a loss to sell it. Poland is quoted at about 50 cents to 53 cents on the dollar, Romania at 75 cents to 80 cents, and Yugoslavia, 72 cents to 76 cents. Loans to the Philippines sell for about 63 cents to 67 cents on the dollar.

These prices do not mean, of course, that they reflect the real value of the loans. Some banks will accept what they believe is an unnaturally low price for a small amount of debt simply so they can assure investors and depositors that they have no Latin American debt on their books.

"It's a distress market, and I think it understates the value of debt," said William R. Cline, a fellow of the Institute for International Economics in Washington. "It's not a very meaningful market."

The big players in the market, in terms of arranging deals, include such major financial services companies as Shearson-Lehman Brothers, Drexel Burnham Lambert, Salomon Brothers, Bankers Trust and Bear Stearns & Co. Some European financial institutions, such as Lazard Frères, are also involved.

Some small investment banks have also specialized in the secondary-debt market. These include Giadefi Inc., which is run by Mr. de Filippis, and Leslie Weinert & Co., both in New York.

Buyers include a variety of people and institutions. Some European banks believe that the loans are a worthwhile risk at the current discounts. Sometimes a bank within a developing debt: For example, a Chilean bank might buy Chilean government debt from a Massachusetts bank.

In the case of Brazilian and Chilean loans, moreover, the governments of those countries have established incentives to encourage private companies to buy up foreign debt. Bankers Trust reportedly recently purchased a Chilean pension fund management company for $40 million of Chilean government debt that it had on its books.

Or a multinational company wishing to build a $10-million plant in Brazil might agree to buy $10 million of Brazil's foreign debt, for about $8 million, and present it to the Brazilian central bank in exchange for $10 million worth of Brazilian currency.

Some private individuals have also been buying the most heavily discounted loans, such as those of Nicaragua or Bolivia, dealers say. Drexel Burnham Lambert reportedly has been particularly involved in such deals.

"It's taken a while for institutions to become aware of the market," said Stephen M. Cunningham, who arranges deals for Bear Stearns. "We think it's going to continue to grow."

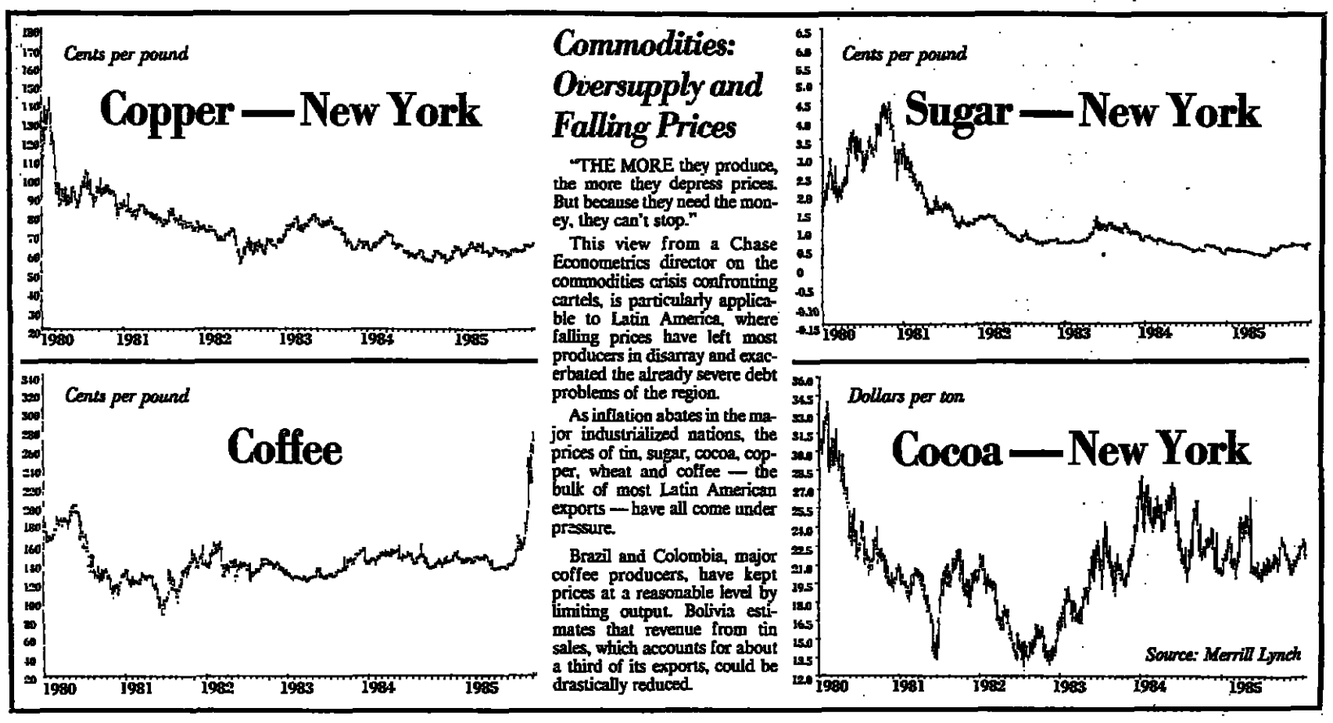
Some banks will accept an unnaturally low price for a small amount of debt so they can assure investors and depositors that they have no Latin American debt on their books.

Isabel Carè-Monthet/IHT

Debt Trading Prices

(per dollar of face value)

Argentina	70 to 73 cents
Brazil	78 to 82 cents
Bolivia	10 cents
Chile	65 to 70 cents
Mexico	70 cents
Nicaragua	10 cents
Venezuela	77 to 82 cents



Commodities: Oversupply and Falling Prices

"THE MORE they produce, the more they depress prices. But because they need the money, they can't stop."

This view from a Chase Econometrics director on the commodities crisis confronting cartels, is particularly applicable to Latin America, where falling prices have left most producers in disarray and exacerbated the already severe debt problems of the region.

As inflation abates in the major industrialized nations, the prices of tin, sugar, cocoa, copper, wheat and coffee — the bulk of most Latin American exports — have all come under pressure.

Brazil and Colombia, major coffee producers, have kept prices at a reasonable level by limiting output. Bolivia estimates that revenue from tin sales, which accounts for about a third of its exports, could be drastically reduced.

Debtor Countries Looking to a Political Solution

(Continued From Previous Page)

part alone to adjust will be sufficient since the situation cannot be allowed to continue," said the final declaration at Montevideo. The ministers proposed negotiations on a broad range of related issues, including interest-rate reduction, improvement in basic commodity prices, expanded access to the markets of industrial countries and an increase in development aid through the World Bank and the Inter-American Development Bank.

"If the proposed set of measures are not adopted, the region will enter an extremely serious situation that will necessarily oblige us to reduce the net transfer of resources to avoid greater political and social instability," they said.

This has been widely interpreted as a warning that a moratorium on debt payments is a possibility if the creditors do not sit down with the debtors and begin negotiating.

The private bankers who hold the region's debt of roughly $360 billion deal with the problem in each debtor country with a loan rollover here, a patchwork of new loans there, and an overall sense of anxiety.

None of the publicized refinancing plans, such as those with Mexico and Argentina, are working well. Mexico has more inflation and less growth than was planned. Argentina has less inflation but virtually no new investment. Political unrest led by labor unions is rising because President Raúl Alfonsín has not produced an economic recovery.

Chile, the most authoritarian and economically "orthodox" regime in the region, remains an economic cripple, due largely to to the collapse of prices for its main export, copper. The banks loaned Chile $760 million in December so it could pay its $2 billion in debt service this year. Economic growth is limping at 2 percent a year.

President José Sarney, saddled with Brazil's $100-billion debt, has not reached a refinancing agreement with the banks because he insists on a high growth policy that ignores the austerity recommendations of the International Monetary Fund.

So far, Brazil's economy under Mr. Sarney has responded with 7 percent growth in 1985. The country's large agricultural base and advanced industrial structure generated a $12-billion trade surplus in 1985 for the second year running.

But the Brazilian economy needs new injections of capital now to keep up the growth based on a combination of exports and domestic demand. It also has to reduce inflation, which raised prices 233 percent in 1985.

While Brazil pays its $11 billion in annual debt interest punctually, some Latin American debtors, such as Peru and Bolivia, have failed to keep up even with interest payments.

It is hard to see how these poor economies, heavily dependent on the price of basic commodities, which are at the lowest levels in years, can recover without a coordinated international effort.

Senator Edward M. Kennedy, Democrat of Massachusetts, during a trip to five South American countries in January, proposed something like a new version of the Alliance for Progress, the aid program created by the late President John F. Kennedy for Latin America but which was abandoned by 1970.

The emphasis of the Alliance for Progress was on social reforms, with financing going toward low-cost housing, schools, health services and rural modernization, such as water works. But the nature of the crisis now is more international, with the structure of the trade and financial relations between Latin America and the industrial West at stake.

"The crisis is too serious and the stakes are too high for either side to leave the problem up to the bankers," Mr. Kennedy said. "Governments themselves must be involved in ways that strengthen, not starve, democracy in the Americas."

Behind the Baker Plan: Trade — And the Kremlin

(Continued From Previous Page)

had to take market-oriented steps to make their economies more efficient. They were urged to strengthen private enterprise, improve investment opportunities, reduce their swollen public sectors and cut inflation.

These were tough conditions for countries where huge "para-statals," as the state-owned enterprises are called, controlled vast industrial sectors and where foreign investment of previous years had left deep scars.

Yet, so desperate was their plight that some countries started moving in this direction. Mexico sold off to private investors state-owned hotel chains and some industrial holdings. Brazil sold a portion of the state oil company to private investors. Argentina opened its oil industry to foreign investment. Ecuador signed an investment treaty with the United States.

The conditions were politically tough as well for the United States, where the administration could count on being pilloried in Congress for anything that resembled a bailout for imprudent lending of commercial banks.

Much of the money that the banks had lent in the 1970s ended up as flight capital in Zurich and Miami bank accounts of rich Argentinians and others. The new debt strategy somehow had to recruit that money — as much as $75 billion — back into local productive investment.

Still, Mr. Baker pledged that the money would be available. He went so far as to commit the U.S. administration to ask Congress for a capital increase for the World Bank to give this institution greater leverage in the key role it was being given to foster Third World economic restructuring and growth.

Mr. Baker qualified the pledge by saying that only when the plan was working and the need for new World Bank funds became apparent would the administration ask Congress for the money.

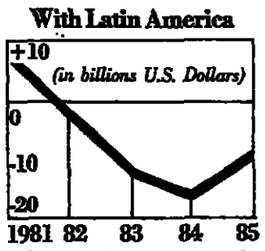
This may not be until next year. At the moment, the administration still has to decide on the man who will head the bank over the next five years, succeeding A.W. Clausen, who steps down June 30.

Just how any new request for funds for the World Bank will play out against the automatic budget cuts forced by the so-called Gramm-Rudman law to balance the U.S. budget remains an open question.

"If countries are willing to perform significant reforms opening up their economies and showing that the program is working, then I think we can sell the Congress," said James W. Conrow, deputy assistant secretary of the Treasury for developing nations. "If the program isn't working," he added, "we are in the soup."

Thus, the United States has emerged as an active rather than passive player in the debt crisis.

U.S. Trade Balance With Latin America



Source: U.S. Department of Commerce, October 1985.

Before the Seoul speech, on Sept. 22, Mr. Baker had worked out a plan with the finance ministers of the Group of Five — Britain, France, West Germany, Japan and the United States — that triggered a further slide in the value of the dollar. The dollar is now about 25 percent below its highs of last February and about 10 percent below the levels of Sept. 22.

This, too, was crucial to stopping the erosion of U.S. trading accounts and saving export jobs in industrial cities. A weaker dollar makes American goods more price competitive. It also helps debtor countries because most of the estimated $1 trillion of the international debt, two-thirds of which is held by commercial banks, is denominated in dollars.

Then, on the weekend of Jan. 19-20, at another meeting of the Group of Five finance ministers, Mr. Baker pressed his colleagues to work toward lower international interest rates. A rate cut of one percentage point would annually save countries like Brazil and Mexico nearly $1 billion each.

The new activism has been well received. "It was like being in a driverless car and someone's hands suddenly appear on the wheel," said Robert D. Hormats, vice president of Goldman, Sachs.

The Baker plan was less a plan than a flexible approach toward the debt problem, with the emphasis on economic growth, not austerity. Mr. Baker has said repeatedly that he thinks there is "no alternative" to what he has proposed.

Initially, debtors found the approach good as far as it went but said that they needed more help.

Finance and foreign ministers of 11 Latin American countries met in Montevideo in late December and made several specific demands: a sharp decline in international interest rates, which the industrial countries now say they want, too; a boost in annual bank lending, which is foreseen under the Baker plan; concessional terms in existing debt but a promise to pay market rates on new loans, and some linkage between interest payments and minimum growth targets.

But the tone was not confrontational, the demands were not ultimatums, there was little talk of a debtors' cartel. Even though some countries have set ceilings on interest payments, the Baker plan has set the framework of a continuing dialogue. There was encouragement as well from the slight pickup in world economic growth.

"As a whole, countries with debt-servicing problems are now growing at about 4 percent a year, or nearly three-fourths the rate from 1967 through 1976," said William R. Rhodes, chairman of the restructuring committee of Citibank. "The overall situation is better than some have portrayed it to be."

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The Small-Debtor Syndrome: Higher Debt-Service Ratios

By Richard Lapper

SAN JOSE, Costa Rica — "We're suffering from the small-debtor syndrome," said Emilo Rodriguez, Costa Rica's special adviser on external debt.

Costa Rica's $4.5-billion foreign debt may not cause many bankers to lose sleep, but as Mr. Rodríguez said, "Whichever way you look at it, the small debtors have proportionately the highest debt service in the world, we face the toughest conditions and we have the least capacity to pay; the renegotiation of the debts of small countries excites little international interest."

As if to underline his point, a conference organized here in early December by Mr. Rodríguez and attended by leading government figures from nine small debtor countries — Guatemala, El Salvador, Panama, Costa Rica, Nicaragua, Honduras, Jamaica, Bolivia and the Dominican Republic — passed by largely unnoticed in the United States and Europe.

In a joint communiqué, the nine countries agreed that they face tougher renegotiations and harsher conditions simply because they lack the political muscle of countries like Brazil and Mexico.

On the whole, in the two rounds of debt renegotiation since 1982, these nine smaller debtors, whose total combined debt is less than a third of the Mexican debt, have been given shorter grace and repayment periods and have had to pay higher interest rates and commissions.

According to evidence presented to the San José conference by a U.S. academic, John Williamson, the attitudes of the commercial banks are shared by the International Monetary Fund, which has been much tougher with smaller debtors and generally refused to make multiyear packages available to them.

As a result, whereas the debt-service ratios (the proportion of debt repayments measured against exports of goods and services) of the bigger countries are hovering around the 20-percent to 30-percent mark, for the smaller debtors it is frequently more than 50 percent. This undermines the potential economic recovery necessary for growth and solvency.

The smaller countries have limited capacity to generate domestic investment. In addition, their economies are dependent on a narrow band of export commodities, almost exclusively agricultural, whose prices, with the notable exception of coffee, have tended to decline relative to the prices of principal imports, such as oil and capital goods.

Moreover, as Christin Bogdanowicz-Bindert, an economist, told the conference, the debt crisis of the smaller countries predates the 1982 Mexican crisis, underlining the more serious structural problems of the smaller countries. Costa Rica defaulted on its debt a full year before Mexico, and Jamaica and Nicaragua both renegotiated their debts in the 1970s.

The debt-service burden in Central America is a key factor in Guatemala's economic crisis and, to a lesser extent, in Panama's.

Meanwhile, a formal default by Nicaragua, which has all but ceased payments on its $4.5-billion debt, could be the death knell for the country's mixed economy and would probably augur a formal entry into the socialist camp.

The 1986 debt-service bills vary. Nicaragua owes $1.2 billion, including overdue payments, an amount equivalent to more than three times its projected export revenues. Guatemala owes $500 million, about 50 percent of potential revenues.

The Panamanian debt, the highest per-capita debt in the world, has grown abnormally because of the free convertibility to the dollar of the local currency, the balboa. This means the government has virtually no control over the local money supply and is entirely dependent on external indebtedness to meet deficits.

Meanwhile, the precarious economic recovery in El Salvador and Honduras, closely linked to the economic aid that they are receiving from the United States, is imperiled by the debt burden. On paper, El Salvador and Honduras have manageable debt services, largely because of the favorable repayment terms for the U.S. bilateral aid that forms a large part of recently acquired debt. Nevertheless, service payments still amount to around 20 percent of exports, a figure considered high 10 years ago, Mr. Bogdanowicz-Bindert said.

In Costa Rica, Central America's most successful stabilization program and economic turnaround is undermined by debt-service obligations. Next year, these obligations will amount to about $470 million, half the anticipated export earnings — if the government that takes over following elections in February can renegotiate repayments successfully.

The irony is that the export-led growth favored by the international financial community could occur in the smaller countries, according to the president of Costa Rica's central bank, Eduardo Lizano.

He said: "From a trade point of view, small is beautiful; from a debt point of view, it is ugly. Whereas countries like Mexico and Brazil are registering massive trade surpluses but are still not able to grow, for small countries like ours export growth is a real possibility. We could seriously expect to increase our exports by $150 million, and that would have a serious economic impact. But on the debt question, we have no leverage at all and I just don't see how we can cope unless we can reduce interest payments."

Mr. Lizano said he hoped that "since the industrialized countries don't have all that much to lose with they may be prepared to entertain new ideas."

Among these ideas would be the possibility sympathetic governments — Mr. Lizano mention the Netherlands — buying Dutch banks' Costa Ric debt and relending the money at lower rates of int est.

In the short term, Costa Rica and the other sma debtors will be pushing for extra funds from th commercial banks for development purposes. Mr Lizano is aiming to obtain about $100 million in fresh money this year. He acknowledged, however, that "it's going to be tough; the commercial banks just don't want to lend fresh money."

Costa Rica's progress will be indicative. Since 1982, it has been an exemplary debtor and not a partisan of debtors' cartel arrangements.

"We've respected our commitments, introduced austerity and made sacrifices to keep within agreements; we've therefore a moral right to protest about the injustice in our treatment," President Luis Alberto Monge of Costa Rica told the conference.

But will the international financial community respect such integrity?

When Mr. Rodríguez visited Washington earlier this month to speak to Treasury Secretary James A. Baker 3d, his advisers were pessimistic about his reception. The third round of renegotiations was going to be just as difficult as the first two.

Austerity: How Much Is Too Much?

(Continued From Previous Page)

its IMF adjustment program in calendar 1983.

"The 1986 budget is not credible, because it sets an overambitious target for increases in revenue," according to a confidential report circulated widely in Mexico's business community.

Stricter spending controls and a downturn in domestic interest rates might yet permit the government to achieve its 1986 deficit-reduction target, but "the budget gives no indication that such a structural change in private-sector finances is in progress," said the report, which was prepared by a private economic forecasting firm.

Aside from budget cuts, the key change bankers say they want to see in Mexico is a reversal of capital flight. By most estimates, Mexicans have sent more than $20 billion in private capital abroad since 1980. In the first three quarters of 1985 alone, according to central bank reports, $2.9 billion left the country, a figure that does not include the $1 billion to $2 billion believed by experts to have been lost last year through exchange-control cheating.

"People talk about foreign investment as Mexico's salvation, but Mexican investment would be quite good enough," a U.S. banker said. "If just a fraction of the Mexican money in foreign banks came back home, Mexico wouldn't be needing any new money from us."

While Mexico is facing stiff resistance from private creditors, it is having more success with noncommercial lenders this year. Just two months after concluding a three-year IMF loan agreement, Mexico is expected to sign a new accord with the agency in February giving it access to about $800 million in Special Drawing Rights. The funds will complement the $1.5 billion in loans Mexico is expected to receive in 1986 from other multilateral and government agencies.

Moreover, even the multilateral banks are tying more of their lending to "structural adjustments" in such key economic sectors as manufactured exports. The World Bank, especially, is quietly assuming the role of economic watchdog in Mexico paralleling that of the IMF, a change that Western bankers welcome as another facet of the Baker plan's servicing-with-growth prescription for Latin American debtors.

Yet, some bankers privately express concern about how far Mexico can be pushed. Domestic opposition to Mr. de la Madrid's policy of full and prompt debt payment, increasingly vocal since the September earthquake, "has me very, very worried," a member of the steering committee of Mexico's biggest private creditors said recently. "I'd be crazy if it didn't worry me. We have billions of dollars invested in Mexico."

Concern about anti-payment sentiment prompted banks to approve Mexico's post-earthquake request for a six-month postponement of a $950-million principal payment. "We didn't think Mexico needed the postponement on technical grounds, but as a political matter we saw the danger to de la Madrid in sending money to foreign banks in the aftermath of a natural disaster," a New York banker said.

When the earthquake demolished $3 billion worth of schools, hospitals, housing, offices and public services, even conservative businessmen echoed leftist demands for better repayment terms.

Three weeks before the earthquake, Mexican finance officials were already hardening their public position on debt servicing. On Aug. 29, Finance Minister Silva Herzog gave a clear warning to Mexico's creditors as he signed what was said to be the largest single loan agreement in commercial banking history, the 14-year rescheduling of fully half of Mexico's $96-billion debt.

Emphasizing Mexico's need for further commercial financing, he noted that rescheduling agreements "are based on two fundamental principles: the total payment of interests and the flow of additional credit. If one of these suppositions doesn't hold up, then neither does the other."

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A SPECIAL REPORT ON LATIN AMERICA

Brazil's Recovery Belies The Pessimistic Appraisals

By Marcilio Marquez Moreira

COMMENTARY

RIO DE JANEIRO — The Brazilian economy is in the third year of a surprising recovery that has confounded critics of its high level of external debt.

The current performance of the world's largest developing-country debtor requires a reappraisal of how debt was used. In response to the first oil shock of 1974, Brazil opted for growth and structural changes in its economy through increased foreign borrowing. Instead of pulling back on investment, it went deeper into debt.

The result has been a more diversified economy, resilient to adversity and competitive in international markets. The cost has been a high level of inflation and a serious lag in social investments.

The Brazilian experience, in both its strengths and weaknesses, should contribute to a necessary reassessment of some of the pessimistic assumptions and projections of many studies of the Third World debt problem.

What seems to be so unexpected in the recent performance of the Brazilian economy is, first, its capacity to transform a current-account deficit of more than $16 billion in 1982, when the debt crisis began, into a surplus two years later. The underlying $13-billion trade surplus of 1984 was attained through a 23-percent increase in exports and a 10-percent drop in imports.

Second is the capacity of the economy to grow while debt servicing consumes more than 40 percent of export revenues and imports are sharply reduced. From 1980 to 1985, imports declined almost 50 percent while exports expanded 25 percent. Initially, there was a severe drop in gross national product, but by 1984, there was a solid 4.5-percent growth in production of goods and services.

This recovery was ascribed by many economists to the effects of the "orthodox" policies pursued after 1981, which were aimed at lowering internal demand by reducing real wages and devaluing the cruzeiro. The growth rate of 1984 was attributed to the consequent expansion of exports and higher agricultural income.

But the rationale of export-led growth is insufficient to explain the recovery in 1985, a year when economic growth accelerated to more than 7 percent of GNP, one of the highest rates in the world. This stage of recovery took its impetus from the domestic market. Through restoration of real wages, consumer purchasing power expanded and coexisted with a continuing trade surplus and a further decline in imports.

Recent projections by private and public organizations in Brazil and abroad indicate that GNP growth rates of between 5 percent and 7 percent can be sustained throughout the 1980s without impairing the general level of trade balances large enough to pay for all, or at least the major part, of interest on the debt. This is provided that the interest is kept within a reasonable range and economic activity in the developed countries does not drop below 2.5 percent.

If Brazil maintains high growth rates, this means that its net foreign debt of $100 billion, which ceased to grow in nominal terms last year, will undergo a substantial contraction in real terms through 1990 compared with GNP, export volumes and overall loans from commercial banks.

The fundamental factors of Brazil's trade performance since 1983 grow out of the major investment programs launched in the mid-1970s, which are now becoming fully operational.

These concrete results confirm the diagnosis that sees the Brazilian response to the first oil shock as a bold effort to meet the crisis through a structural adjustment of the country's economic framework.

This strategy aimed at creating a modern and competitive economy by redirecting the growth process toward providing internal solutions. The country's energy matrix underwent a mutation, with investments that multiplied domestic petroleum production, substituted alcohol for gasoline and tapped huge hydroelectric sources. The supply of crucial industrial products such as steel, heavy chemicals, pulp and nonferrous metals was greatly expanded.

'Brazil appears to have the capacity through the end of the decade to generate substantial trade surpluses.'

The capital goods industry was consolidated and the economic infrastructure was radically modernized, as exemplified by a telecommunications revolution.

In general, the competitive, tradable portion of GNP expanded briskly, blurring the frontiers between export and import substitution sectors. In many cases, the new investments dislocated products from the import to the export side of the trade balance.

It took time for the new investments to mature. There were errors in dimension and scope. The incidence of the second oil shock in 1979, accompanied by skyrocketing interest rates and plunging commodity prices, multiplied the cost of the programs beyond what could reasonably have been foreseen.

This increased burden was felt heavily in the early 1980s, a period of debt combined with recession, when the country lost more than 10 percent of its per-capita income.

Despite the challenges posed by unresolved problems, among which are inflation and the heavy social debt, the country's economic structure underwent a complete overhaul. The decisions of the 1970s, besides preserving an infant political liberalization program, continued a modernization process that has transformed Brazil in the last 30 years.

During this period, the economy, which had been predominantly agricultural, became industrial. It became increasingly complex and expanded at one of the highest sustained rates of growth in the world. Society was urbanized and changed its occupational profile at a breathtaking pace. The population became more educated and more politically conscious, while life expectancy increased.

In this process of transformation, Brazil borrowed to invest (gross fixed capital formation averaged 30 percent in the mid-1970s) and not to consume; neither was debt incurred to purchase arms or to fund capital flight by its citizens.

The link between past debt and economic transformation provides a better understanding of the breadth of opportunities that lie ahead for the Brazilian economy if the so-called debt problem is placed in the broader context of financial flows that may be necessary to meet exchange or savings gaps that would otherwise constitute a bottleneck for development.

It is of paramount importance that international agencies, governments and commercial banks devise imaginative and efficient ways to recover their capacity to play a positive role in support of the future capital needs of developing countries, instead of remaining mesmerized by the problem of the accumulated past debt.

The debt problem, of course, requires an urgent, fair and rational long-term solution. Amortization terms must be extended so that maturities match capacity to pay. Spreads and fees must be reduced drastically. Monitoring provisions must be adjusted to the social and political realities of the borrowers, who must retain autonomy in deciding their economic and social priorities.

New money should be provided whenever required to meet pressing needs. Debt agreements should also provide revision clauses to shield borrowers from wild gyrations in the main international economic indicators — developed countries' growth, interest levels, the price of oil and other commodities, exchange rates and inflation.

But both lenders and borrowers should include any solution to the debt problem in a broader strategy aiming at rethinking and restructuring the existing system of interwoven financial, trade, investment and technological flows.

Brazil appears to have the capacity through the end of the decade to generate substantial trade surpluses, while sustaining a vigorous pace of economic activity. This reality does not reduce the desirability of reaching a debt-restructuring agreement, giving its external sector more stability.

The circumstances described above show that neither Brazilians nor their creditors should spend all their energy in focusing on the problem of past debt. Instead, the best of those energies should be reserved to seize, whenever timely, the opportunities for future credit that will support the task of economic development and social reform within redemocratized societies.

The writer is a director and member of the board of Unibanco S.A. He is preparing a study of Brazilian debt for the Twentieth Century Fund.

Prorural

Prorural

Agricultural experts and farmers study problems and view results in fields near Resquisa, Brazil.

Prorural: A Lesson in Multilateral Lending

By Sue Branford

TIJUCAS DO SOL, BRAZIL — The tough "stabilization" programs imposed on Latin American debtor nations have produced results — but not without cost. Gains in trade resulted from reduced imports rather than expanded exports; and while living standards improved over 1984 they still fall far below levels of the previous decade.

However, banking on better terms of trade and wider access to the markets of industrialized nations, entrepreneurs from Mexico to Argentina are using multilateral lending to push ahead — and succeed — with domestic development in the face of austerity.

The Prorural farmers' assistance program in underdeveloped Paraná state in Brazil has been one of the more successful rural-development projects financed by an international financial institution.

"For me, personally, Prorural has been my salvation," said Antenor Batista da Rocha, president of the Association of Farmers of Tijucas do Sul, an impoverished community in the state of Paraná, southwest of São Paulo. "Until it brought us the health post in the village, I didn't have any peace. As one of the very few people with a car, I was always having to take people to the nearest hospital, which was 100 kilometers away."

Mr. Antenor went on to describe the progress being brought by Prorural, which is partly financed by the Inter-American Development Bank (IDB). "It's not just health care," he said. "We've got new roads, warehouses and, what for me is the most important thing of all, schools. Before Prorural, it was no use our working hard and producing a large surplus of rice or beans, because there was nowhere to store it and the roads were so bad that you often couldn't get it out to sell."

Mr. Antenor's association, which was set up in November 1983 at the suggestion of Prorural technicians, has 130 members. They all have small farms, no more than 10 hectares (25 acres) on average. Only five or six have tractors, the others plow with horses. They grow rice, corn, beans, oats, potatoes and soybeans. All are subsistence farmers, only selling on the market if they have a surplus.

Audalio Teixeira de Lima, a Prorural agronomist who provides the association with technical assistance, said the members were responding enthusiastically to the new opportunities. "Several months ago," he said, "we suggested that they buy fish tanks, so that they could supplement their diet and sell another product on the market. We were a little bit cautious at first, as we thought that they might be suspicious of such a strange new idea. But the response has been fantastic."

Prorural is one of the IDB's most successful projects. Its total cost is $176 million, of which the IDB is providing $80 million ($50 million from the bank's own capital and $30 million from the Brazilian fund in the bank) and the Paraná state government the rest.

Prorural is an integrated project, providing varied assistance: rural credit, technical aid, road construction, education, sanitation and health centers. Its primary objective is to bring development to a huge, backward area where the average annual income is $300. It hopes to benefit 50,000 small farmers.

Prorural

A Brazilian girl gets fresh water from a Prorural village development project.

Why is Prorural succeeding when so many other projects financed by international financial institutions end in failure? The answer seems to be that Prorural has effectively combined a high level of popular participation with dedicated and efficient support from government officials.

When José Richa became the state's governor in March 1983, the project had already been set up, but in conventional, paternalistic fashion. Very few of the small farmers who were supposed to be its beneficiaries even knew of its existence.

Mr. Richa decided to change this. In the second half of 1983, state officials held a series of meetings in the districts that were to be affected. After explaining to the people what the project was attempting to do, they told the farmers that, as resources were limited, priorities would have to be established: What did they want first in their district? The local people made their choice, most putting roads first, then health centers, then schools.

Since they were involved from the beginning, the people have been following closely the construction works and have called for action whenever a problem has arisen.

The project has had its share of problems. It should have been finished by April of this year, but the completion date has had to be postponed until Jan. 1, 1987. Under financial pressure, the Paraná state government had to reduce its counterpart funds from $133 million to $96 million. It was able to negotiate this reduction with the IDB without serious conflict.

Because the project was budgeted in dollars in 1982 and the cruzeiro has suffered heavy devaluations since then, there are ample financial resources. The officials are, in fact, managing to surpass original targets.

But will this satisfaction continue once the amortization of the loan begins?

The state government has a grace period of five and a half years. But then it will have to start paying back the loans, in dollars. It is already paying interest of 8.25 percent a year on the loan of $50 million supplied from the IDB's capital. The same exchange factor that today means ample resources in local currency will create additional repayment difficulties in the future. It will be a big burden for a relatively poor state. But officials from the state government say that extra tax revenue from the benefited region will offset the cost.

In Brazil, the World Bank Is Not Without Critics

SAO PAULO — As other Latin American countries seek ways to reverse the outflow of debt-servicing capital by attracting fresh funds, Brazil hopes to resolve part of its financial problem through the World Bank.

Planning Minister João Sayad said in December that over the next 18 months Brazil would set up a series of projects with the bank that should bring in $3.5 billion from the institution, as well as $800 million in a cofinancing program with commercial banks.

This hard currency is sorely needed in Brazil. Because of its excellent trade performance, with a surplus of $13.1 billion in 1984 and $12.4 billion in 1985, Brazil has been managing to pay the interest on its huge debt and build up its foreign reserves. It is this which is enabling the country to go its own way and to refuse to make an agreement with the International Monetary Fund for another austerity program.

But Brazil is paying a price for this independence. Almost all available public money is going into the servicing of its internal and foreign debts or into funding essential social programs. The World Bank financing would thus be doubly useful, in providing hard currency for foreign debt servicing and resources for investment in urgently required development projects.

Part of the money, $400 million from the World Bank and $800 million in cofinancing, would go to the electricity sector, an area of the Brazilian economy that is in desperate need of injections of capital. Other loans might go to the steel sector, which is also hard pressed.

WP

A.W. Clausen, president of the World Bank, which has come under criticism recently in Brazil.

Brazil is already the World Bank's largest borrower, with contracts signed for about $9.7 billion, slightly more than the 10-percent limit imposed by the bank on the share of funds available to one country.

About 60 percent of the total has been disbursed.

However, despite Brazil's pressing need for fresh money, some sectors of the government, particularly officials in the middle ranks of the Planning Ministry, are showing little enthusiasm for additional World Bank financing. These officials believe Brazil's experience shows that the World Bank's mode of operations requires radical changes if the bank is to make a real contribution to development.

The first difficulty mentioned by the Brazilian officials is operational. The bank sets up its projects with federal, state or municipal governments. It supplies about 35 percent to 40 percent of the cost, while the rest is provided by the local authority in counterpart funds. The bank operates under a system of reimbursement in which the local authority makes the initial outlay and is then repaid.

As the Brazilian government has been making an effort to cut the public deficit, local officials have faced serious difficulties in coming up with the counterpart funds. The World Bank attempted to help in the early 1980s by setting up a Special Action Program so that it could disburse, ahead of schedule, its part of a financing program. Thus, it provided 55 percent or even 60 percent of the annual disbursements, while not altering its overall share in the total investment.

The relief was effective in the short term, but now Brazil is paying the price, for it is having to contribute even more than its customary 60 percent to 65 percent to make up for the World Bank's heavy disbursements in the early years. These difficulties have led to delays in almost all of the bank's projects. As a result, disbursements were down sharply last year, probably to less than half of the original target of $1.2 billion. As interest payments were estimated at $342 million and the commitment fee at $25 million, Brazil was probably left with a net inflow of only $250 million.

A second difficulty concerns the cost of the financing. The interest rate charged by the World Bank, though fixed, accompanied the upward trend in the floating rates on the world market. As a result, the cost of the financing rose steeply in the early 1980s.

Brazilian officials point to a series of 10 loans, worth a total of $1 billion, which were signed in late 1981 and early 1982, with an interest rate of 11.6 percent.

Today, these loans cost Brazil more than they would have if they had been contracted at floating rates.

The officials also object to the commitment fee of 1.25 percent, which is charged on all funds yet to be disbursed.

At most, they say, this fee should be charged on the resources earmarked for disbursement in that financial year.

One official said the World Bank had lost its original development function and had become "one gigantic credit card company."

But, if Brazil urgently requires new foreign resources, what alternative does it have to the World Bank?

The officials recognize the dilemma, but have one radical proposal: Brazil should screen all its current World Bank projects, pushing ahead with only a very few.

It should then ask the bank for the disbursement of the $3.4 billion it is owed in nondisbursed funds for projects already approved.

This, they said, could provide Brazil with the new money it requires.

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France	F.F.	1,200	644	359
Germany	D.M.	482	261	144
Great Britain	£	101	55	30
Greece	Dr.	15,600	8,464	4,692
Netherlands	Fl.	550	298	165
Ireland	£Ir.	115	62	34
Italy	Lire	276,000	149,040	82,800
Luxembourg	L.Fr.	9,020	4,876	2,668
Norway	N.Kr.	1,420	765	423
Portugal	Esc.	13,800	7,450	4,090
Spain	Ptas.	21,200	11,500	6,300
Sweden	S.Kr.	1,470	795	434
Switzerland	S.Fr.	432	233	129
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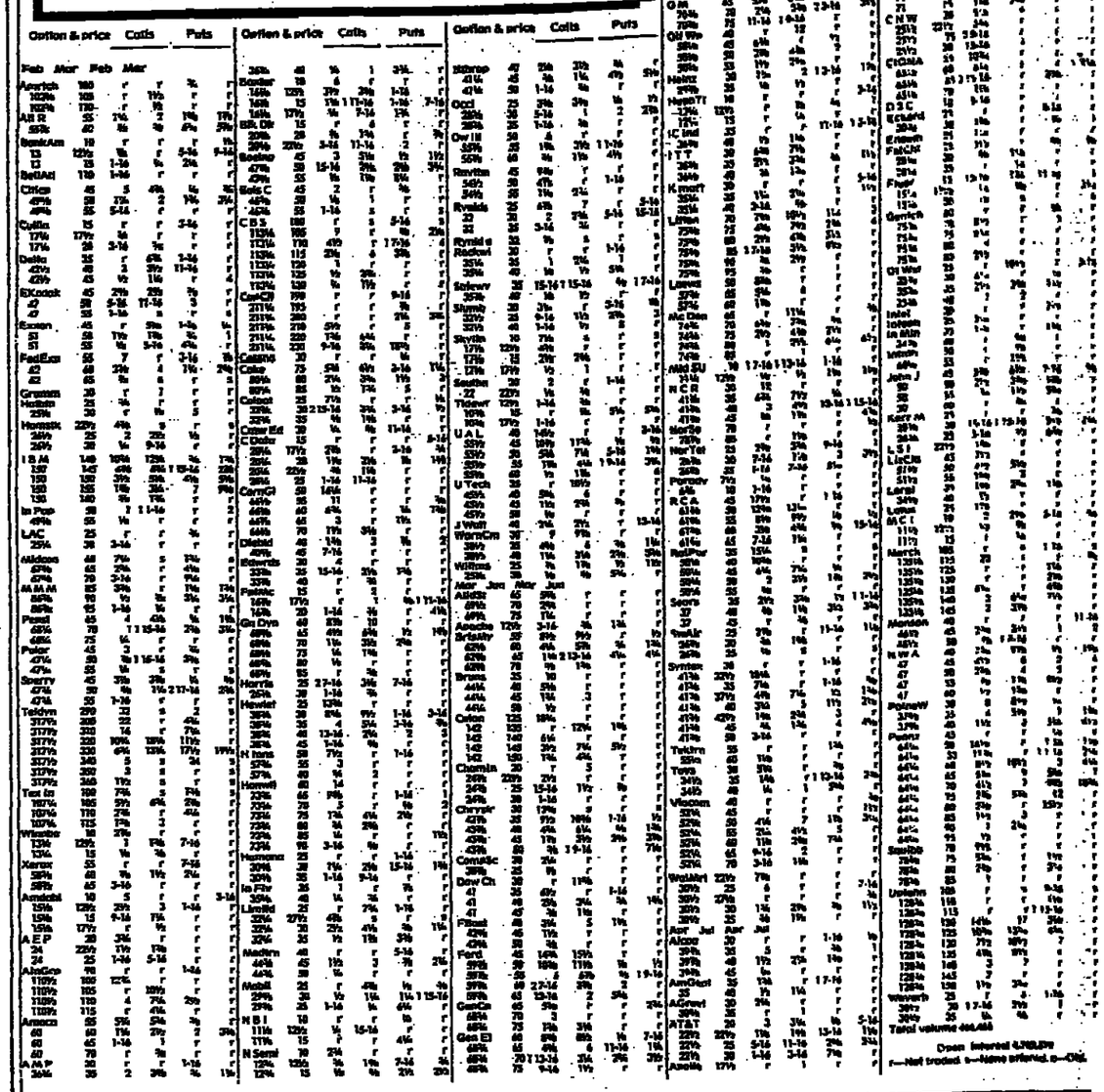
Chicago Exchange Options

Figures as of close of trading Friday.



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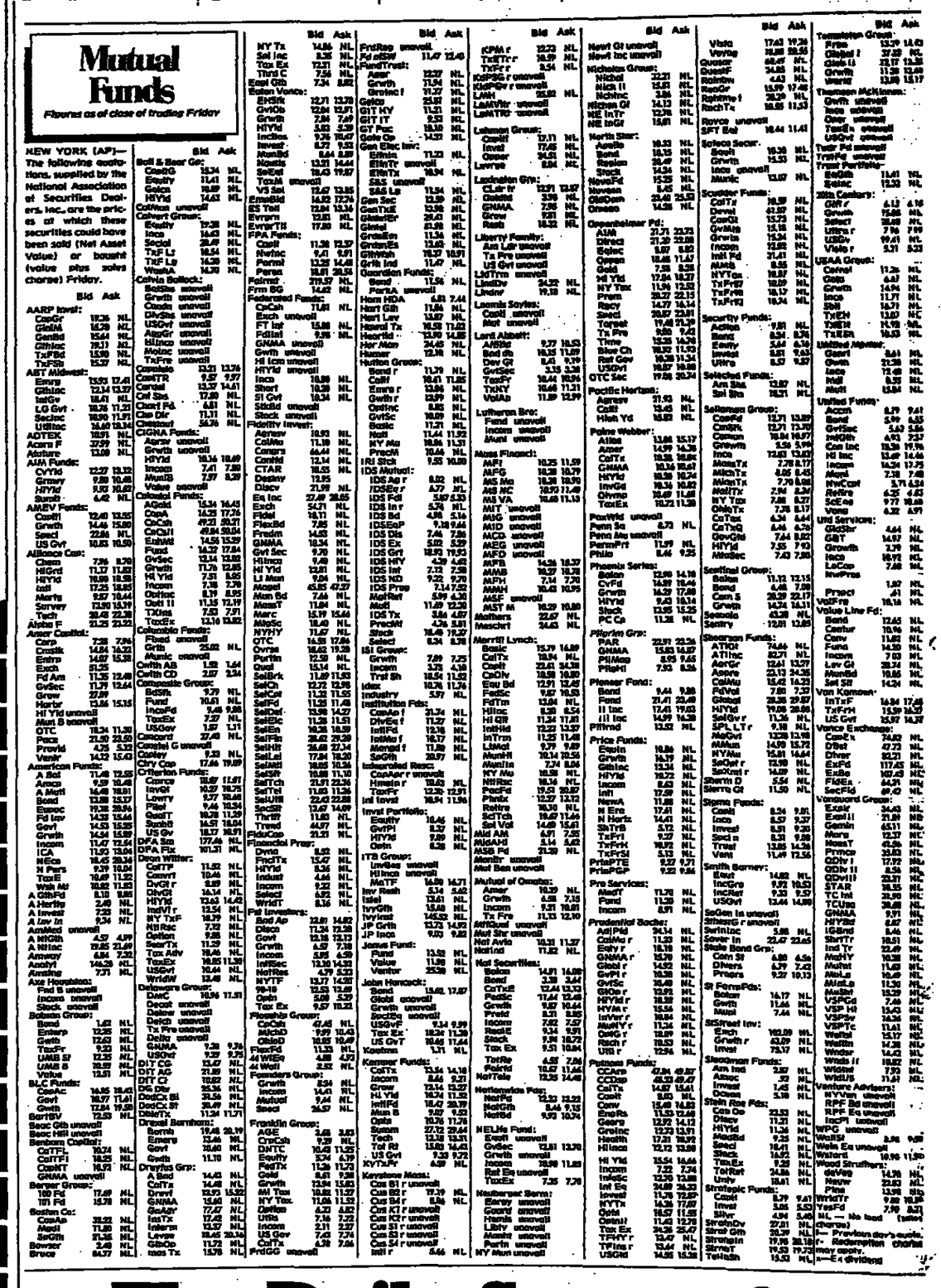
Figures as of close of trading Friday

NEW YORK (AP)—The following quotations, supplied by the National Association of Securities Dealers, Inc., are the prices at which these securities could have been sold (Net Asset Value) or bought (value plus sales charge) Friday.



The Daily Source for International Investors.

New Eurobond Issues

Compiled by Laurence Desvilettes from information supplied by European bond traders.

Issuer	Amount (millions)	Mat.	Coup. %	Price	Price end week	Terms
FLOATING RATE NOTES						
Belgium	$400	1991	libor	100.05	99.95	Interest pegged to 6-month Eurodollar rate. Noncallable. Fees 0.175%. Denominations $250,000. Registered.
First Interstate Banking	$ 60	1996	0.20	100	99.60	Over 6-month Libor. Noncallable. Redemption amount at maturity will be above par if the dollar/yen exchange rate is more than 169, and below par if the rate is less than 169. Fees 0.40%. Denominations $10,000.
FIXED-COUPON						
Chrysler Financial	$100	1990	10	100¼	98.63	Noncallable. Also 100,000 8-year warrants, priced at $25 each, exercisable into a noncallable 10½% bond of 1994. Warrants may be put back at $17 from 1991 to 1994 and will be redeemed at $25 at maturity if not exercised. They finished the week at $33½. Fees 1⅞%.
Citicorp	$200	1996	10	100⅝	98.38	Callable at par in 1991. Fees 2%.
Crédit National	$150	1993	9⅛	100	—	Callable at 101½ in 1991. Fees 1⅝%.
European Investment Bank	$200	1996	19⅛	99.70	—	Coupon paid every 2 years. Noncallable.
European Community	$150	1991	8⅜	100⅛	97.88	Noncallable. Fees 1⅜%. Denominations $10,000.
General Motors Acceptance Corp.	$250	1991	8⅞	100¼	98.13	Noncallable. Fees 1⅞%.
Merrill Lynch	$200	1989	9	100⅜	99.08	Noncallable. Fees 1⅝%.
TRW	$100	1993	9¾	100	97.88	Callable at 101 in 1991. Fees 1⅞%.
Westpac Banking	$100	1996	10	100⅜	98.63	Callable at 101½ in 1991. Also 200,000 warrants, exercisable at par after 1991 and with host bond into a noncallable bond of 1996 paying 11½%. Warrants, priced at $50 each, pay annual interest of $5 during the first five years and will be redeemed at $50 at maturity if not exercised. They finished the week at $55. Fees 2%. Denominations $10,000.
World Bank	$200	2016	9¾	101¼	99.00	Noncallable. Fees 2½%.
Caisse Nationale des Télécommunications	DM 200	1996	6⅜	100	99.25	Callable at 102 in 1992. Fees 2½%.
European Investment Bank	DM 300	1996	6⅜	100	99.38	Noncallable. Fees 1¾%.
Ireland	DM 150	1996	6⅞	100	98.00	Noncallable private placement. Fees 2%.
Air Products Nederland	DF 100	1991	6¾	99½	98.25	Noncallable private placement. Fees 1½%.
Hunter Douglas	DF 50	1991	7	100	98.75	Noncallable private placement. Fees 1½%.
New South Wales Treasury	ECU 60	1993	8⅞	100⅜	98.63	Noncallable. Fees 1⅝%.
Banco di Roma (London)	Aus$ 40	1991	14¼	100⅜	98.50	Noncallable. Fees 2%.
Bank of Nova Scotia	Aus$ 50	1989	14⅜	100½	98.75	Noncallable. Fees 1½%.
DSL Bank	Aus$ 40	1991	14¼	100½	98.25	Noncallable. Fees 2%.
Scandinavian Airline System	Aus$ 50	1989	14¼	100⅜	—	Noncallable. Fees 1½%.
Beneficial	Y 10,000	1995	6¾	101	—	Noncallable. Fees 2%.
Goodyear Tire & Rubber	Y 10,000	1996	6⅝	100	97.88	Callable at 101 in 1991. Fees 2%.
Swedish Export Credit	Y 10,140.	1996	6⅝	102	—	Noncallable. Fees 2%.
Walt Disney Productions	Y 10,000	1996	6⅝	100½	—	Noncallable. Fees 2%.
EQUITY-LINKED						
Grace (W.R.) & Co.	$250	2001	7	100	—	Redeemable at 115.25 in 1991 to yield 9.52%. Convertible at $63¼, a 19.6% premium. Fees 2½%. Denominations $10,000.
Mitsubishi Heavy Industries	$250	1991	open	100	101.00	Coupon indicated at 4½%. Noncallable. Each $5,000 bond with one warrant exercisable into company's shares at an expected 2½% premium. Fees 2½%. Terms to be set Jan. 30.
Sumitomo	$120	1991	4⅜	100	113.00	Noncallable. Each bond with warrants exercisable into company's shares at 788 yen per share and at 203.90 yen per dollar. Increased from $100 million. Fees 2½%.
Tateho Chemical Industries	$ 30	1991	4⅜	100	122.00	Noncallable. Each $5,000 bond with one warrant exercisable into company's shares at 2,686 yen per share and at 203.90 yen per dollar. Fees 2½%.
Mitsubishi Heavy Industries	DM 200	1992	open	100	101.00	Semiannual coupon indicated at 2½%. Callable at 101 in 1990. Convertible at an expected 5% premium. Fees 2½%. Terms to be set Jan. 31
Pirelli Deutschland Int'l Finance	DM 100	1993	3¼	100	103.00	Noncallable. Each 5,000-mark bond with 2 warrants each exercisable into 680 Pirelli SpA shares at an expected 5% premium or into 8 Pirelli SIP BPCs at no premium. Fees 2½%. Terms to be set Jan. 29.
SBC Finance	DM 200	1996	2¾	100	—	Noncallable. Each 5,000-mark bond with eight 5-year warrants, each exercisable into one of company's BPCs. Fees 2½%. Terms to be set Jan. 28.
Kubota	Y 20,000	1991	3	100	—	Noncallable. Each bond with one warrant exercisable into company's shares at 367 yen per share. Fees 2¼%.
WARRANTS						
Den Norske Creditbank	0.10	1989	—	—	$17½	Warrants exercisable into a 9¼% noncallable bond due 1996. Issue price and fees not disclosed.
Dutch State Mines	0.15	1991	$3¼	$35	$36	Warrants exercisable after 1988 into a 10½% noncallable bond due 1991. Interest paid during first 2 years only. Fees 1⅜%.
Nederlandse Gasunie	0.075	1991	$2½	$25	$42	Warrants exercisable at par after 1988 into an 11% noncallable bond due 1991. Interest paid during first 2 years only. Fees 1⅜%.

Bonds Mixed As Investors Ignore News On Economy

By H.J. Maidenberg
New York Times Service

NEW YORK — The Treasury securities market has largely ignored recent economic news, dealers say.

The data include a 4.2-percent jump in December durable goods orders and a $6.8-billion drop in

U.S. CREDIT MARKETS

the latest money-supply figure, which was larger than expected.

Prices of Treasury securities were narrowly mixed in light trading Friday, with short-term rates slightly lower and the yields on the longer-term maturities moderately higher on the day.

Dealers said most retail buyers moved to the sidelines after a brief flurry of buying of Treasury bills early in the day. The buying was provoked by rumors on Chicago's financial futures markets, which later proved baseless, that the Federal Reserve planned to cut its discount rate.

"After the silly rumors were put to rest, the market quieted down and began focusing on the Treasury's midquarter refunding, the terms of which are expected to be announced Wednesday," said Elliot Platt, director of government securities research at Donaldson, Lufkin & Jenrette. "The market ignored most economic news."

One news item that was not ignored, dealers said, was the sharp drop in the dollar after Nobou Takeshita, Japan's finance minister, said a stronger yen would be acceptable. If yen-denominated securities react positively, several dealers said, Japanese investors might reduce their purchases of U.S. Treasury debt issues.

But Mr. Platt said the Treasury would not increase its borrowings this quarter. "In fact, we expect the Treasury's next refunding to total $23.25 billion and total borrowings for the quarter to be about $36 billion in order to have a $15-billion cash balance by March 31," he said.

In late trading in the secondary market, the discount rate on the current Treasury 90-day bills fell two basis points, to 6.96 percent.

Among the intermediate-term Treasury coupon issues, the new 8⅛-percent notes of 1988 rose 3/32, to 100 3/32, to yield 8.09 percent; the 9⅛-percent notes of 1991 5/32, to 101 23/32, to yield 8.69 percent, and the 9.5-percent notes of 1995 8/32, to 100 4/32, to yield 9.16 percent.

At the longer-term end, the new 9⅝-percent bonds of 2006 rose 3/32, to 98, for a yield of 9.60 percent, and the benchmark long-term bond, the 9⅞ of 2015, was unchanged at 104 19/32 to yield 9.41 percent, compared with 9.44 percent a week earlier.

U.S. Consumer Rates
For Week Ended Jan. 24

Passbook Savings	5.50 %
Tax Exempt Bonds Bond Buyer 20-Bond Index	8.05 %
Money Market Funds Donoghue's 7-Day Average	7.42 %
Bank Money Market Accounts Bank Rate Monitor Index	6.65 %
Home Mortgage FHLB average	12.08 %

Institutions Show No Reaction to Fed Proposals

By Carl Gewirtz
International Herald Tribune

PARIS — The recent capital-adequacy measures proposed by the Federal Reserve Board, aimed at inhibiting some of the riskier business U.S. banks undertake, show no signs of having any effect on the international credit market.

Among other things, the measures would put a cost on the off-

INTERNATIONAL CREDIT

balance-sheet underwriting of Euronotes facilities — as the Bank of England has already done and as other central banks are studying.

But bankers active in the market say their institutions already have their own prudential measures against capital.

In any event, the renegotiation of the terms on Sweden's $4-billion multi-option credit facility and the terms on Thailand's new $500-million facility indicate no hardening in terms and conditions for top borrowers.

The size of the Swedish facility is to be cut in half. To date, it has never had outstanding more than $1.5 billion worth of short-term notes and currently has outstanding only $1.1 billion. Thus, paying banks an annual fee to keep $4 billion available seemed excessive.

Reflecting the change in market conditions since the facility was arranged in mid-1984, the annual fee of 12½ basis points (.125 percent) is also to be cut, to 5 basis points for the first 5 years and to 6¼ basis points for the final 3½ years remaining on the original life.

The fee Sweden will pay if it draws against the facility has also been reduced. The minimum charge is now 10 basis points over the London interbank offered rate, instead of 12½, and rises to 20 basis points if more than half the amount is drawn and to 25 basis points if more than 75 percent is used.

At present, these terms are academic. Sweden last week put up $200 million of short-term notes for sale and bids ranged from 5½ to 10 basis points below the London interbank bid rate. The bid rate is 12½ basis points below the offered rate. The weighted average cost on last week's offering, managers said, was 7 basis points below Libid.

The banks accepting the new terms will be paid a renegotiation fee ranging from 5 basis points for those underwriting $70 million to 1 basis point for underwriting $15 million or less.

Three technical changes in the original agreement are also worth noting. If Sweden wants to draw, it must notify the tender panel of banks who then submit bids. Now, however, members of the tender panel need not wait for a request for terms from Sweden but can bid for paper directly by submitting their own proposals in function of the demand from their own investor clients.

When Sweden does request terms, the notice period will be shortened to half a day from the previous seven days.

In addition, instead of issuing only notes denominated in U.S. dollars, Sweden can issue paper in whatever currency it is legal to do so.

Thailand's $500-million facility will run for 10 years and will replace two credit lines arranged in 1983 and 1984. It is paying an annual commitment fee of 25 basis points on those lines; drawings were to cost ⅜ point over Libor.

The annual fee is now being cut to 10 basis points and the cost to draw starts at ¼ point over Libor. This rises by 5 basis points if more than one-third is drawn and by 10 basis points if more than two-thirds is used.

Front-end fees range up to 7½ basis points on an underwriting of $25 million and 15 basis points on the final allotment.

Thailand can issue notes or seek advances from banks in any currency and drawings under the revolving credit can be based on Libor, treasury bills or any other reference rate that borrower and lender agree upon.

In the commercial-paper market, where banks operate under a best-efforts basis to place customer paper but are under no obligation to take it themselves, Aspro-Nicholas Holdings Inc. has announced a one-year program to sell up to $150 million. Sarah Lee Corp., the parent company whose U.S. commercial paper is rated A1-plus, is guaranteeing the paper.

Turin-based Istituto Bancario San Paolo will be issuing up to $250 million or its equivalent in European currency units in the form of commercial paper or certificates of deposit.

Analysts Say Dollar Is Near Its Low, Predict a Rise

(Continued from Page 1)

ward pressure is unlikely to be checked to any great extent by central bank action as export industries in Europe and Japan begin to feel the pinch of the dollar's decline.

"I'd be genuinely surprised to see more policy action to push the dollar lower," said A. Gary Shilling, head of his own economic consulting firm in New York. "The zeal just isn't there; Japan and Europe are not that eager to lose the one segment of economic growth they have left — exports."

According to some analyses, as much as half of recent West German and Japanese economic growth can be attributed to exports to the United States and to the two countries' ability to underprice U.S. exporters on world markets because of the strong dollar.

West German industry figures, for example, show that six of every 10 cars built there last year, or 61.8 percent of the total, were exported. The figure was about 55 percent for Japan.

According to Mr. Shilling and other economists, figures like these clearly demonstrate why Japan and West Germany cannot tolerate a dollar much weaker than 200 yen or 2.40 DM, their current levels.

"The Japanese are really starting to feel the heat" from a stronger yen, said J. Paul Horne, Paris-based international economist for Smith Barney, Harris Upham. "The government is under a lot of pressure from Japanese industry to keep the yen up. Their exporters are screaming."

Thus, despite widespread academic agreement that the dollar remains overvalued by as much as 25 percent, analysts agree that the main impetus for a lower dollar is now coming from the United States alone. And, they say, Washington apparently won far less than it wanted at the last meeting of the Group of Five, held in London on Jan. 18-19.

At that meeting, finance ministers of the G-5 partners agreed only that they should "continue cooperating" and that the dollar decline achieved so far should not "be reversed."

Onno Ruding, the Dutch finance minister, who is chairman of the European Finance Ministers' Council, which reviewed the G-5 discussions, said the noncommittal tenor of the G-5 communiqué fairly represented Europe's attitude toward the dollar.

"Roughly speaking, there is a growing feeling among Europeans that the dollar has done its duty" since the September agreement, Mr. Ruding told Reuters. "I do not expect a further major drop in the dollar."

In helping to push the dollar lower, the G-5 partners have at least temporarily defused the primary reason for entering into the agreement; a growing wave of protectionist sentiment in the U.S. Congress spawned by record merchandise-trade deficits and mounting unemployment in American manufacturing.

The United States posted a record merchandise-trade deficit of $150 billion last year, nearly $50 billion of which was with Japan.

U.S. trade figures are not expected to reflect the benefits of a weaker dollar until the second half of this year because of the time it takes for currency adjustments to work their way through the economy. But the promise of such improvement has gone far toward defusing protectionist sentiment in Congress, analysts said.

At the time of the original agreement, analysts said, about 300 trade bills with protectionist features were pending in Congress, most of which were aimed at Japan.

"Let's face it, the original G-5 accord was really G-2 with three European observers," Mr. Shilling said. "It was for all intents and purposes a bilateral agreement between Japan and the U.S. to try and get rid of the huge trade embarrassment between them."

The danger in now trying to revert to the status quo, economists say, is that it will lead to a resurgence of protectionist sentiment. Without at least the promise of relief from a weaker dollar, they said, many pending trade bills could wind up as law.

"Everyone assumes that because the dollar has moved in the right direction, protectionism is dead," said Mr. deVries. "They are mistaken. It is still very much around."

Analysts said that the problem now facing the G-5 partnership was how to drive the dollar lower, defusing trade tensions, while offsetting the political costs to Japan and Europe.

One option would be to reduce U.S. interest rates, pushing the dollar lower by reducing the attractive interest-rate differential on dollar-denominated investments.

Despite the general decline in U.S. interest rates since year-end, the differential on comparable U.S. and West German bonds stood recently at more than 200 basis points, or 2 percentage points.

"That bond-yield differential will remain the key to the dollar's tone," says Brendan Brown, international currency economist for Phillips & Drew, the London stockbrokerage. "At the moment, it's historically low. In the second half, I see it as likely to widen as U.S. economic performance picks up."

But economists said that the prospects for a broad reduction in U.S. rates were virtually nil. They said that the Federal Reserve Board, for fear of triggering an uncontrolled dollar fall that would rekindle U.S. inflation, would not cut its benchmark discount rate while the economy was showing signs of improvement and the currency was trading in its present range.

"One thing the Fed does not want is a disorderly decline in the dollar," said David M. Jones, an economist at Aubrey G. Lanston & Co. in New York.

The Fed's chairman, Paul A. Volcker, "has worked too long and too hard to rein in inflation to risk a renewal of inflationary pressures that a precipitous dollar decline would ignite," he said.

Mr. Shultz, the former Fed vice chairman, said: "I don't believe anyone at the Fed has even considered such a cut."

Analysts said that another factor on the U.S. economic horizon that could lead to a lower dollar was the Gramm-Rudman act, legislation that requires the U.S. budget to be brought into balance by 1991.

The law requires a $36-billion reduction in the federal budget deficit in each of the next five years, an enormous slice out of an economy that has grown accustomed to the stimulus of massive deficit spending.

"Things will get critical when Gramm-Rudman starts to take effect," said Morgan's Mr. deVries. "The Fed will have no option but to lower rates, because the economy will be in intensive care."

But many economists increasingly believe that the balanced budget law ultimately will be ruled unconstitutional, an issue that is now before the U.S. Supreme Court.

In such a climate of uncertainty, they said, the Fed is unlikely to make any policy moves until it has a better picture of what stimulus the economy will or will not receive from federal spending.

With U.S. policy initiatives effectively ruled out for the foreseeable future, analysts said that it was up to U.S. trading partners, especially Japan, to stimulate their own economies through lower interest rates and other fiscal policies. This has been a central tenet of Reagan administration theology since 1980.

Such moves would make the dollar a relatively less attractive investment to foreigners, expand home markets for their own goods and create markets for U.S. exports, helping to cut the U.S. trade deficit.

Despite past pledges from West Germany and Japan to reflate their economies, economists said they have seen little or no evidence that they are doing so. These pledges were a cornerstone of the September G-5 accord.

Mr. Brown, of Phillips & Drew, said that "despite all the talk, Japanese fiscal policy is likely to be tighter than ever this year."

He said that Prime Minister Yasuhiro Nakasone had made reduction of a gaping national budget deficit a cornerstone of his three-year administration.

Despite anticipated economic growth of only 2.5 percent for West Germany this year, he said, "Bonn is likely to leave fiscal policy broadly unchanged."

Mr. deVries also holds out little hope for fundamental changes this year in the economies of Japan and Europe.

Sale of Options for Fixed-Coupon Eurobonds Becomes Fad

(Continued from Page 7)

percent paper maturing in 1991. Issued at $35 and carrying a dividend during the first two years of $3.25, the warrants ended the week at $36-$38.

Den Norske appears to be selling naked warrants, not backed by any existing call features. Its 100,000 three-year warrants can be used to buy 9¼-percent bonds maturing in 1996. The warrants were being quoted at $17.50-$19.

Despite the activity for warrants, there was little actual demand for the bonds currently on offer. Issues from Citicorp (10s of 1996), the European Community (8⅜s of 1991), General Motors Acceptance Corp. (8⅞s of 1991) and TRW (9¾s of 1993) traded at discounts of 2¼ percent to 2½ percent from their offering price and well outside the commissions paid to underwriters.

The World Bank was an exception. It announced that it was tagging $200 million on to its $300 million of 30-year bonds floated late last year bearing a coupon of 9¾ percent. The non-callable bonds have become a favorite trading vehicle for dealers, as the paper tracks very closely the changes in the U.S. Treasury's 30-year issue in New York. The additional $200 million will add liquidity to this bellwether issue, enhancing its value to traders.

The new portion was priced at 101¼, and, after deducting the 2⅜-percent commissions, yielded 20 basis points more than the Treasury paper. That was better pricing for the World Bank than on the original issue, which came to market at 28 basis points over the Treasury yield. Before the announcement, the 30-year paper was trading at 99.15-99.45; afterward it was quoted at 99.17-99.19.

Announced too late for a price to be quoted was a $200-million issue for the European Investment Bank paying a coupon of 19⅛ percent. The catch was that the coupon on the 10-year, non-callable bond is paid once every two years rather than annually, as is standard in the market.

That works out to 9.6 percent per year as the paper is offered at a discount of 99.70. Because the EIB gets to delay paying the coupon it estimates its cost of money at roughly 10 basis points over Treasury yields — a big saving for the EIB, which normally would pay a spread of 25 basis points.

Officials at Nikko Securities, the lead manager, said they assumed that the structure would give some kind of tax advantage to investors in Japan.

The only other limited appeal of this structure, bankers said, should be to investors who are preparing to retire and move from a high tax bracket to a lower one. Delaying receipt of the interest would result in the income being taxed at a lower rate.

Reference to such high coupons naturally leads to the Australian dollar market, where annual coupons run in the region of 14¼ percent. Banco di Roma, Bank of Nova Scotia, Scandinavian Airline System and DSL Bank, a West German government-owned institution, all tapped the market last week.

Worth noting is the fact that Austrian banks, formerly active participants in marketing bonds denominated in Australian and New Zealand dollars, are no longer doing so. The Austrian National Bank has asked the banks in its jurisdiction to not actively sell bonds denominated in what it calls "exotic" currencies and if they do to point out the currency risks.

The move was motivated by last year's collapse in prices in the Australian dollar market following the sharp drop in value of the Australian dollar. A National Bank spokesman said that it was feared that investors "did not realize the high coupon rate may be eaten by losses on the exchange rate."

Bankers said demand for such paper is still coming from the Benelux countries, West Germany and Switzerland.

In the floating rate note market, prices on U.S. bank-issued paper were pushed lower by BankAmerica's latest quarterly loss and the omission of its dividend. Three years ago, U.S. bank-issued notes traded about 30 basis points more than any other group. But that advantage disappeared with the weakening of the banks.

According to Salomon Brothers, U.S. bank issues last week were trading at 17 basis points over the London interbank offered rate compared to a low in the previous 12 months of 5½ basis points. By contrast, issues by British and Japanese banks ended the week trading at about 8½ basis points over Libor.

Government-issued FRNs ended the week trading at 8.8 basis points over Libor compared to an average of 11 basis points for bank-issued notes.

Company Results

Revenue and profits or losses, in millions, are in local currencies unless otherwise indicated.

Canada

Imperial Oil

4th Quar.	1985	1984
Revenue	2,260.	2,320.
Oper Net	250.0	169.0
Oper Share	1.54	1.05

Year	1985	1984
Revenue	8,810.	8,760.
Oper Net	684.0	533.0
Oper Share	4.22	3.32

Japan

TDK

Year	1985	1984
Revenue	427,000.	416,190.
Profits	30,130.	32,250.
Per Share	258.34	267.96

United States

Delta Airlines

2nd Quar.	1986	1985
Revenue	1,120.	1,230.
Net Inc.	1.89	73.94
Per Share	0.05	1.85

1st Half	1986	1985
Revenue	2,240.	2,240.
Net Inc.	31.44	134.10
Per Share	0.78	3.36

First half nets include gains of $7.9 million vs $49.4 million. 1985 quarter net also includes gain of $29.6 million.

Dow Jones

4th Quar.	1985	1984
Revenue	279.7	257.1
Net Inc.	40.9	34.4
Per Share	0.63	0.54

Year	1985	1984
Revenue	1,040.	965.6
Net Inc.	138.6	129.1
Per Share	2.15	2.01

Fst Security Bcp

4th Quar.	1985	1984
Net Inc.	4.70	4.00
Per Share	0.52	0.47

Year	1985	1984
Net Inc.	19.0	23.1
Per Share	1.53	1.83

Fst Wisconsin

4th Quar.	1985	1984
Net Inc.	10.16	9.64
Per Share	1.08	1.03

Year	1985	1984
Net Inc.	39.60	32.76
Per Share	4.21	3.42

FMC

4th Quar.	1985	1984
Revenue	878.5	868.8
Net Inc.	39.10(a)	126.3
Per Share	1.49	—

Year	1985	1984
Revenue	3,330.	3,430.
Net Inc.	196.60	38.0
Per Share	7.54	1.21

a: loss. 1984 nets include losses of $175.7 million in quarter and of $187.9 million in year.

3 M

4th Quar.	1985	1984
Revenue	1,960.	1,890.
Net Inc.	148.0	167.0
Per Share	1.28	1.43

Year	1985	1984
Revenue	7,850.	7,710.
Net Inc.	664.0	733.0
Per Share	5.77	6.27

Monsanto

4th Quar.	1985	1984
Revenue	1,760.	1,560.
Net Inc.	(a)370.	41.8
Per Share	—	0.55

Year	1985	1984
Revenue	6,750.	6,690.
Net Inc.	(a)98.0	439.0
Per Share	—	5.42

a: loss. 1985 nets include gain of $30 million and charge of $341 million.

Motorola

4th Quar.	1985	1984
Revenue	1,440.	1,480.
Net Inc.	44.0	87.0
Per Share	0.37	0.73

Year	1985	1984
Revenue	5,440.	5,530.
Net Inc.	72.0	349.0
Per Share	0.61	2.95

1984 year net excludes tax forgiveness of $38 million.

North Amer. Philips

4th Quar.	1985	1984
Revenue	1,330.	1,250.
Net Inc.	26.7	41.5
Per Share	0.92	1.44

Year	1985	1984
Revenue	4,400.	4,330.
Net Inc.	81.5	130.5
Per Share	2.82	4.53

1985 nets include charges of $18.8 million in quarter and of $12.8 million in year.

Shell Oil

4th Quar.	1985	1984
Revenue	5,510.	5,270.
Net Inc.	652.0	581.0

Year	1985	1984
Revenue	20,480.	20,900.
Net Inc.	1,650.	1,780.

Texaco

4th Quar.	1985	1984
Revenue	12,500.	12,000.
Oper Net	307.0	213.0
Oper Share	1.29	0.82

Year	1985	1984
Revenue	47,580.	47,900.
Oper Net	1,230.	1,070.
Oper Share	5.11	4.22

Tiger Int'l

4th Quar.	1985	1984
Revenue	313.9	326.6
Oper Net	(a)4.92	28.4
Per Share	—	1.32

Year	1985	1984
Revenue	1,150.	1,210.
Net Inc.	(a)43.1	44.2
Per Share	—	2.05

a: loss. Nets exlude losses of $10.5 million vs $120.6 million in quarters and of $10.5 million vs $133.1 million in years.

Transamerica

4th Quar.	1985	1984
Revenue	1,560.	1,410.
Net Inc.	42.30	58.19
Per Share	0.60	0.77

Year	1985	1984
Revenue	6,570.	5,400.
Net Inc.	145.80	171.55
Per Share	2.15	2.64

Nets include gains of $100,000 vs $18.1 million in quarters and of $20.1 million vs $20.1 million in years.

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Amsterdam, 16th January, 1986.

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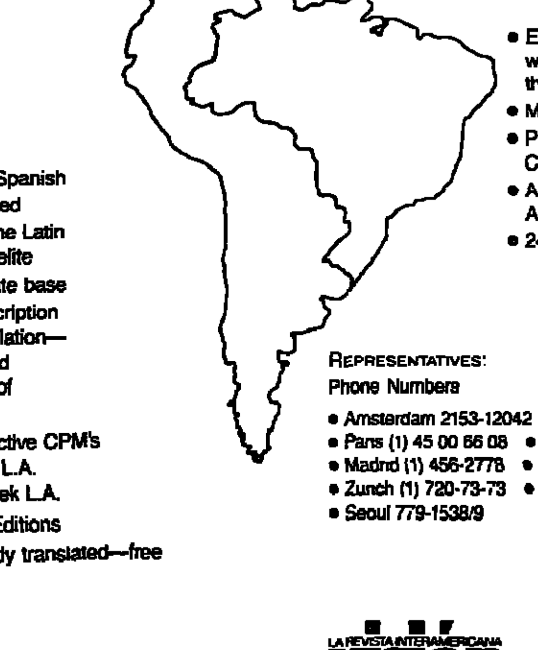

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NASDAQ National Market

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(Continued on Page 15)

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NASDAQ National Market

OTC Consolidated trading for week ended Friday.

(Continued from Page 14)

Last Week's AMEX

AMEX Most Actives

Vol.		High	Low	Last	Chg.
GHCd g	42816	14¾	14⅛	14⅝	—⅛
Wickes	36590	4⅝	4½	4½	—⅛
SterlSft	21496	14¼	11⅞	12¾	—1⅞
WangB	20691	20	18⅝	19⅝	—⅜
DomeP	18874	2⅜	1⅝	2	—⅛
BAT In	14346	4⅞	4⅝	4¾	—⅛
WDigitl	13120	12⅝	11⅛	12¼	+⅛
Holmi	10115	3⅛	2½	3	+¼
Amdahl	9862	15⅝	14⅞	15¼	+½
EchoB g	8783	15⅛	14	15¼	+¼
TollPI g	8629	17	15⅛	15⅜	—1⅛
FCapHd	8422	7⅛	6¼	7	+½
NtPatnt	7722	26½	22⅝	26	+2⅝
Cablv n	7484	14⅞	14⅛	14⅛	—¼
OzarkH	7383	14⅞	13⅝	14¼	+¾
AFrac A	7179	8⅞	7⅞	7⅞	—½
Husky g	6681	7⅜	6¾	6⅞	—⅜
TIE	6539	3⅝	3¼	3⅛	—½
Citadel	6357	41¾	36½	41¼	+3⅝
DataPd	6010	16⅛	15	15⅛	—⅞
KeyPh	5907	11⅞	10½	10⅝	+⅛
Hasbro	5858	35⅞	33⅝	35¼	+¼
AM Intl	5615	5⅞	5⅝	5⅞	+¼
TexAir	5376	17	15⅝	16⅛	+⅝
Sectrm s	5222	12⅝	11⅛	12½	+1

AMEX Diaries

	This Wk	Last Wk
Advanced	355	482
Declined	425	279
Unchanged	143	162
Total Issues	923	923
New Highs	81	76
New Lows	32	21

AMEX Sales

	Sales Vol.
Total for week	50,990,000
Week ago	50,500,000
Year ago	55,810,000
Jan 1 to date	188,580,000
1985 to date	158,850,000
AMERICAN BONDS =	
Total for week	12,810,000
Year ago	11,160,000

Last Week's NYSE

NYSE Most Actives

Vol.		High	Low	Last	Chg.
PhilPt s	149546	12	10⅞	11¼	—⅜
MerLyn	99656	43½	37⅝	40½	+2⅝
AT&T	83908	22⅞	21⅜	22⅝	—⅛
IBM	70879	158½	143	150	—⅞
BnkAm	66487	13⅜	12	12⅝	—½
Exxon	64316	52⅛	49⅞	50⅞	—1⅛
AMR	64000	47⅞	43	47⅞	+3⅞
TexOGs	61074	15⅝	13⅝	14⅞	—⅞
OcciPet	60622	29	27	28⅛	—⅝
EastAir	59123	6⅜	4⅝	6⅛	+⅜
Mobil	58590	30½	28⅝	29⅞	—⅝
Texaco	57784	29⅜	26⅝	28⅝	—1⅛
Schlmb	51321	34⅛	31¾	32⅝	—1½
Pfizer	51070	50⅛	46⅞	47	—3
RepAir	49755	15⅝	13¾	15¼	+1⅜
HewlPk	46249	40⅛	37¾	38⅝	—⅞
MesaP n	44663	2⅝	2⅜	2½	—⅛
DiamS	42890	14¼	13⅛	13⅝	—⅛
USSteel	42497	24⅝	22⅛	23½	—1⅛
AMI	40907	20⅝	18½	19¼	—1⅜
Citicrp	40169	51	46⅞	49⅛	—1⅛
AmExp	36232	54⅝	50¾	54¼	+1½
BeatCo	36204	43⅛	42	43	+¼
AllRich	36027	59⅜	54	55⅞	—4⅛
Boeing s	34534	49	46⅝	47⅞	+¼

NYSE Diaries

	This Wk	Last Wk
Advanced	908	1382
Declined	1082	624
Unchanged	232	224
Total issues	2222	2230
New Highs	278	249
New Lows	55	17

NYSE Sales

	Sales Vol.
Total for week	604,470,000
Week ago	607,610,000
Year ago	749,210,000
Two years ago	513,350,000
Jan 1 to date	2,148,514,122
1985 to date	2,127,120,000
1984 to date	1,999,030,000

Treasury Bills

Figures as of close of trading Friday

Hi	Lo	Mat	Bid	Ask	Yld	Chg
7.49	4.75	Jan 30 86	6.57	6.49	6.58	+.02
7.43	5.76	Feb 06 86	6.60	6.54	6.64	+.06
7.44	6.23	Feb 13 86	6.75	6.71	6.82	
9.25	6.59	Feb 20 86	6.62	6.56	6.68	—.09
7.45	6.54	Feb 27 86	6.60	6.58	6.71	—.10
7.44	6.82	Mar 06 86	6.81	6.75	6.89	—.02
7.43	6.88	Mar 13 86	6.87	6.81	6.96	—.06
9.25	6.89	Mar 20 86	6.93	6.89	7.05	—.03
7.34	6.87	Mar 27 86	6.93	6.87	7.06	—.03
7.45	6.96	Apr 03 86	6.94	6.90	7.08	—.02
7.46	6.96	Apr 10 86	6.94	6.90	7.09	—.01
8.45	6.93	Apr 17 86	6.99	6.97	7.18	+.07
7.45	7.08	Apr 24 86	6.97	6.95	7.17	
7.39	6.97	May 01 86	6.94	6.90	7.12	—.03
7.38	7.02	May 08 86	6.98	6.94	7.17	—.02
7.84	6.94	May 15 86	7.01	6.97	7.22	—.02
7.34	7.03	May 22 86	7.02	6.98	7.24	
7.33	7.02	May 29 86	7.01	6.97	7.24	—.01
7.32	7.02	Jun 05 86	7.03	6.99	7.27	—.02
7.43	6.93	Jun 12 86	6.98	6.94	7.22	—.04
7.31	7.85	Jun 19 86	7.01	6.97	7.27	—.02
7.26	7.01	Jun 26 86	7.01	6.97	7.28	+.02
7.31	7.08	Jul 03 86	7.11	7.07	7.39	—.01
7.64	7.03	Jul 10 86	7.12	7.08	7.42	—.01
7.28	7.16	Jul 17 86	7.10	7.06	7.40	—.01
7.14	7.14	Jul 24 86	7.10	7.08	7.44	—.01
7.67	7.04	Aug 07 86	7.12	7.08	7.45	—.02
7.64	7.02	Sep 04 86	7.14	7.10	7.48	—.02
7.52	7.05	Oct 02 86	7.14	7.12	7.52	—.04
7.51	7.03	Oct 30 86	7.17	7.13	7.55	—.04
7.41	7.00	Nov 28 86	7.17	7.13	7.59	—.03
7.40	7.05	Dec 26 86	7.16	7.12	7.60	—.02
7.24	7.23	Jan 22 87	7.14	7.14	7.65	—.03

Kredietbux Indices — Jan. 24

(Base 100 May 1, 1977)

Industrials, US $ L.T.	102.560
Int'l Institutions US $ L.T.	109.466
US $ medium term	106.529
Canadian $ medium term	106.415
ECU medium term	103.423
UC $	94.070
DM	108.670
Guilders	102.759
FF short term	102.285
F Lux	104.516
Int'l Inst. F Lux medium term	104.557
F Lux medium term	102.245
Int'l Inst. Yen long term	103.883
ECU short term	104.361
ECU long term	104.085

Soviet Oil Output in '85 Better Than Forecast

Agence France-Presse

MOSCOW — Soviet oil production in 1985 was 33 million metric tons below the planned target of 628 million tons, Tass news agency has reported, quoting the Central Statistical Office.

Analysts had forecast a lower figure than the actual output of 595 million tons given Saturday by Tass. An extrapolation of official figures for the first nine months of 1985 suggested a shortfall of 36 million tons for the year.

American Exchange Options

Figures as of close of trading Friday.

U.S., Japan Agree on Replacement Of Pan Am

By Richard Halloran

New York Times Service

WASHINGTON — The United States and Japan have agreed that United Airlines could replace Pan American World Airways on trans-Pacific routes, clearing the last major obstacle to United's $750-million purchase of Pan American's routes in that part of the world.

A spokesman for United Airlines said Saturday that the company would begin flying the newly acquired routes on Feb. 11.

The sale of Pan American's routes to United was contingent, the spokesman said, on United's being able to obtain landing rights in Japan and other nations in Asia.

Only Japan had objected to the transfer. Taiwan and Singapore had agreed, the spokesman said, and applications are pending in China, South Korea, the Philippines, Thailand, Australia and New Zealand. The spokesman said the approval of the other nations was not expected to be a problem.

The dispute was another in a series of issues that have marked the history of the aviation agreement signed by the United States and Japan in 1952.

The Japanese have said the agreement was unfair in that it gave American carriers greater access to the Japanese market than Japan Air Lines, Japan's only international passenger carrier, had to the U.S. market.

The United States has contended that the agreement was fair, given the difference in size of the markets, the larger number of American carriers and competition among them for markets abroad.

In this case, the Japanese Ministry of Transportation had sought to block the agreement unless the United States permitted Japanese carriers greater access to the U.S. market. The Japanese were particularly eager to expand landing rights for Nippon Cargo Airlines.

The chief U.S. negotiator, Deputy Assistant Secretary of State Jeffrey N. Shane, said the agreement was important to the United States because it affirmed the U.S. right to substitute one airline for another on international routes.

■ Northwest Acquisition

Agis Salpukas of The New York Times reported from New York:

Analysts and airline executives say the acquisition of Republic Airlines by Northwest will put added pressure on other carriers to merge or seek acquisitions. They emphasized that no airline was likely to make such a move soon because the combination did not pose an immediate competitive threat.

"If I were an airline executive and I woke up this morning and I read what happened, I wouldn't rush out and do anything," John Pincavage, the airline analyst for Paine Webber, said in an interview.

He said, however, that midsize carriers such as USAir, Piedmont and Western could become takeover targets for larger airlines looking for a way to stay competitive with United Airlines and an expanded Northwest.

Northwest, a subsidiary of NWA Inc., on Thursday offered to pay $17 a share, or $884 million, to buy Republic.

While analysts may have been taking a long-term perspective, investors reacted immediately. Airline stocks were the most heavily traded issues on Friday. Shares of Republic rose $1.25, to $15.25.

Northwest dropped 87½ cents, to $47. There had been rumors that Northwest was a takeover target, but that would be less likely once it acquires Republic.

EUROPEAN COMMUNITY

Farm-Price Talks Resume This Week

By Steven J. Dryden

International Herald Tribune

BRUSSELS — The European Community begins its annual battle over farm support prices this week amid warnings that agricultural policy could break the EC budget.

The Commission, the EC's executive body, is expected to debate proposals for a freeze in most support prices in 1986-87, including grain. An attempt to cut grain prices last year failed because of objections from West Germany.

This year, the Commission reportedly will consider a proposal to tax surplus grain rather than impose price cuts.

Earlier this month, the Commission warned in its annual report on agriculture that given the oversupply on EC and world markets, "it is clear that existing market instruments are insufficient to bring about a healthier market balance or even prevent some surplus stocks from becoming unmanageable."

EC spending on subsidies and other expenses for agriculture in 1985 totaled 20 billion European currency units ($17.6 billion), more than 70 percent of the EC budget.

The report added that finding a better market balance and maintaining farm incomes at the same time require a "major change of approach within the Common Agricultural Policy."

The Commission began a new effort to change the farm policy last summer with the publication of a so-called "Green Paper" outlining the reforms it believed were necessary, including the price freeze and tax on surpluses.

Comecon Call for Ties Draws Suspicion in EC

Willy de Clerq, the EC external affairs commissioner, is expected to give a guarded reply shortly to an invitation from Comecon, the Soviet-bloc economic organization, to establish formal relations.

EC sources said the reply would stress the community's desire to improve relations, in particular with individual Comecon countries. The question of how to respond to the Comecon request for a joint political statement and mutual recognition is still under discussion, the sources said.

The Commission apparently is suspicious of the intentions of the Soviet Union in pushing for the accord. The Commission would like to ensure that Moscow does not use the agreement for directing the individual trade relations of other Comecon countries with the EC.

In the community's view, cooperation between the two organizations would be possible only in a limited number of areas, such as the exchange of economic information and environmental policy.

Talks Set on Improving Relations With Turkey

Relations between the EC and Turkey, practically frozen since the military takeover in Ankara in 1980, may be improved this year.

Several EC countries signaled their belief that the political climate in Turkey had improved by dropping their complaints against Ankara last month at the European Commission of Human Rights.

EC foreign ministers are expected this week to consider a proposal for a high-level meeting between Turkish and EC officials in April.

The most important issue in EC-Turkish relations, governed by an association agreement signed in 1963, is the status of Turkish immigrants in EC countries.

The agreement called for the gradual removal of restrictions on the movement of Turkish workers into EC countries beginning this year. That provision is opposed by West Germany, which has the largest Turkish population in the EC.

The other outstanding issues include the possible release of more than 600 million ECU ($528 million) in financial aid, which have been held up since 1980.

Britons, Not the Danes, Are Most Doubtful on EC

Denmark's doubts about the benefits of EC membership are not as strong as those in some other member states, notably Britain, according to an EC poll last fall.

Although the Folketing, the Danish parliament, last week rejected the proposed EC changes agreed upon in December, the poll showed that 49 percent of the Danes questioned believed their country benefited from community membership. Twenty-three percent said participation was not beneficial and 21 percent gave no response.

Britain was the country most doubtful about the merits of the community. Only 34 percent of those polled said they saw benefits from membership.

Italy was the most favorable, with 70 percent of those polled indicating that EC membership helped their country.

Loan-Selling Trend Raises Concern

(Continued from Page 7)

nerstone of the banking industry.

"I'd frown on our loans being sold off," said C. Raeford Minix, treasurer of Du Pont Co. and chairman of the committee on corporate finance of the Financial Executives Institute, a professional association. "I'd like to continue to deal with the person I thought I'd be dealing with when I got the loan. To have new people could be an inconvenience."

Loan sales are different from loan syndications, which have been around for years. Under a loan syndication, many banks share a loan from the outset, whereas in a sale, one bank initiates a loan, places it on its books and then unloads all or part to other banks, in the United States and abroad, or to money-market funds, insurance companies, savings and loan associations or pension funds.

In the process of selling loans, banks say they are becoming more profitable, less sensitive to interest-rate risk and, some say, better able to meet adversity in the future.

Big banks in New York, Boston and Chicago are leading in loan sales because of their heavy overhead expenses and the severe price cutting they face from rival funding sources, such as the commercial-paper market. They have found they can no longer earn an adequate return on loans to large, blue-chip corporations that pay extremely low rates when they borrow.

So rather than lose the corporations' business outright, banks are making the loans and rapidly selling them, charging fees when they continue to collect on the loans and keeping some of the interest as compensation for originating the loans. Even though the loan profit margins may not be high enough for the originating banks, other institutions are snapping up the high-quality loans either because those institutions have a lower cost structure or because they want to lend to top-rated U.S. corporate borrowers, a group not accessible to them otherwise.

And even though data on loan sales are still sketchy because banks account for the transactions differently, by most reckonings loan sales are increasing at a spectacular rate. Donaldson, Lufkin & Jenrette Securities Corp., in a recent report, said that almost no banks were selling loans three years ago. Now, it says, most, if not all, of the nation's top 15 banks are in the game.

Bankers reached by Donaldson, Lufkin said the market could quintuple in the next five years. "I consider loan sales to be one of the most significant structural changes in banking in my 18 years as an analyst," said George Salem, an author of the Donaldson, Lufkin report.

Gary R. Southern, a senior vice president who helps manage loan sales for Manufacturers Hanover, said: "The loan officer is undergoing a massive cultural change. He is moving from a person who made medium-term loans, servicing them and monitoring the client until the loan matured, to one who works hard only to see the asset he developed placed elsewhere."

What bankers, and those who study banks, are saying now is that, as interest rates have been deregulated and corporate treasurers given a raft of financing options, the corporate loan business has lost much of its luster. Banks are turning to fees and interest from loan sales as a way of regaining some of that lost ground.

"More and more, the money-center banks are viewing themselves as originators and distributors of loans, and less as organizations that hold on to them," said Ronald I. Mandle, a banking analyst at Paine Webber Inc.

The allure for banks, however, is more than increased profit. Experts say that banks that have a ready market for their loans are better equipped to withstand a run on deposits, since such banks can quickly convert loans into cash. Bankers also maintain that the practice narrows an institution's exposure to interest-rate swings, since a bank that can sell its loans is in a better position to match the maturity of its assets and liabilities.

Selling loans raises a bank's capital as a percentage of its total assets, especially if it does not immediately make new loans with the proceeds of the sale. In the eyes of some, that can help strengthen a bank. Mr. Southern, of Manufacturers Hanover, said: "The goal is not necessarily to shrink the bank, but to allow us to better control our balance sheets."

As for the future, the critical question for loan selling, experts say, is whether bankers can avoid a replay of Penn Square. Although there have not been any disasters in the market for loan sales yet, bankers agree that the market could be brought to a screeching halt if a huge loan were sold, went bad and dragged down a large institutional investor with it.

To avert that, many big banks have adopted policies under which they will not sell a loan unless they get proof from the buyer that it has conducted its own evaluation of the borrower. Over all, bank officers heading loan-selling operations are being extra cautious as 1986 begins.

"The reason we're so careful is that what's at stake is our very reputation," Mr. Roark, of Bankers Trust, said. "Without an impeccable reputation, a bank has no future in the loan-selling business."

INTERNATIONAL CLASSIFIED

(Continued From Back Page)

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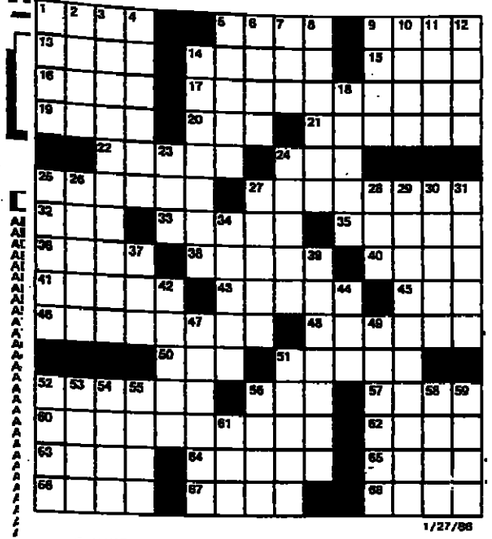

1/27/86

ACROSS

1 Russell role
5 Weight
9 Sail sound
13 Aesir member
14 Port Moresby's site
15 Israeli folk dance
16 Marshal Dillon
17 Entranced
19 N., S. or Cent.
20 Tavern drink
21 Molders
22 Rejoin
24 "—— if by land . . ."
25 Dishearten
27 Aardvark or pangolin
32 Mil. address
33 Kind of steel plate
35 Sluggard
36 Plod
38 Mend shoes, in a way
40 Something to raise
41 Best and Oliver
43 Dried orchid tubers
45 Set
46 Abjures
48 Comes back
50 Hannibal, to Romans
51 Zola
52 Took a sip
56 —— Darya River, in Asia
57 Regretful Miss
60 Tenderfoot's feat
62 Motion picture
63 Charley had one
64 Teed off
65 Now partner
66 Vogue
67 Archibald or Thurmond of the N.B.A.
68 Biblical country

DOWN

1 Art center in N.Y.C.
2 Fall guy?
3 Beveled fitting
4 Lobster thermidor, e.g.
5 By chance, old style
6 Blade for a fencer
7 Joy or help ender
8 Knack
9 Begone!
10 Forte
11 Composer of "Judith"
12 Gretzky gear
14 Hymnbook of sorts
18 Merino, for one
23 I.R.S. fig.
24 Ryan or Tatum
25 Grocery-scanner part
26 Horatian creation
27 Pilasters
28 Parseghian of coaching fame
29 Speechless from amazement
30 Pierce
31 Titubates
34 Residue, in Rouen
37 Gibbon
39 Change the order of
42 TV's Morley
44 Architect I. M. ——
47 Drug for pain
49 Milliner's creation
51 Overact
52 Ivan or Peter
53 —— pura
54 Comic Richard Lee ——
55 Chester or Jessica of "Soap"
56 Gray's tome: Abbr.
58 Group of nested boxes
59 Appear
61 Crab-eating monkey

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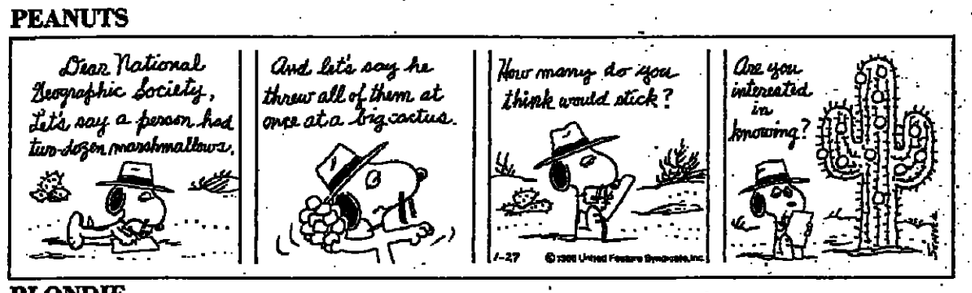
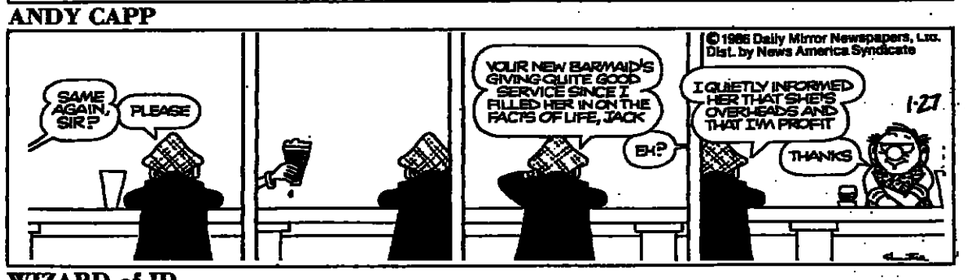
PEANUTS



BLONDIE

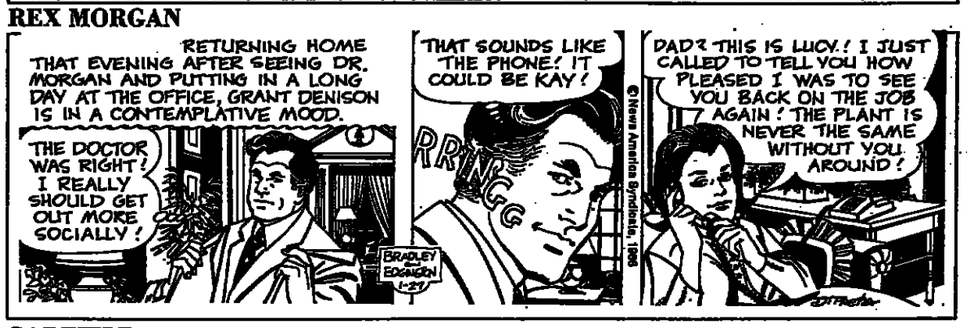
BEETLE BAILEY

ANDY CAPP



WIZARD of ID

REX MORGAN



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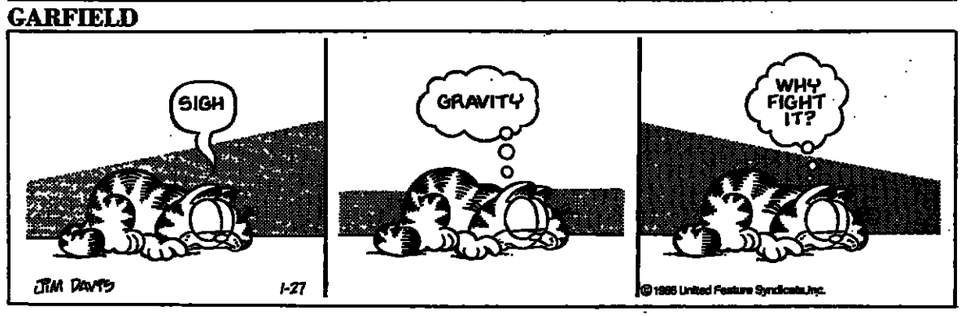


DENNIS THE MENACE

"YOU BETTER GO HOME, MARGARET. MY MOM DOESN'T LIKE SNOW TRACKED ALL OVER THE HOUSE."

JUMBLE. THAT SCRAMBLED WORD GAME by Henri Arnold and Bob Lee

Unscramble these four Jumbles, one letter to each square, to form four ordinary words.

GUCOH
MUJOB
BELUCK
WHOANY

Now arrange the circled letters to form the surprise answer, as suggested by the above cartoon.

Answer here: ( ) TO ( ) AT

(Answers tomorrow)

Friday's Jumbles: CRIME HONEY BENIGN AROUSE
Answer: A "shower" for the bride-to-be may symbolize the beginning of this—A "REIGN"

WEATHER

EUROPE	HIGH C	HIGH F	LOW C	LOW F	
Algarve	15	59	7	45	fr
Amsterdam	6	43	0	32	fr
Athens	14	57	9	48	cl
Barcelona	10	50	2	36	fr
Belgrade	6	43	0	32	fr
Berlin	2	36	0	32	sw
Brussels	13	55	0	32	sw
Bucharest	6	43	1	34	cl
Budapest	7	45	0	32	sw
Copenhagen	1	34	0	32	sw
Costa Del Sol	16	61	6	43	fr
Dublin	9	48	5	41	fr
Edinburgh	2	36	-6	21	fr
Florence	7	45	-6	21	fr
Frankfurt	4	39	0	32	fr
Geneva	1	34	-2	28	sw
Helsinki	1	34	0	32	sw
Istanbul	12	54	9	48	r
Las Palmas	20	68	16	61	fr
Lisbon	11	52	6	43	fr
London	3	37	-3	27	fr
Madrid	7	45	-3	27	fr
Milan	10	50	2	36	fr
Moscow	4	39	2	36	o
Munich	0	32	-2	28	sw
Nice	13	55	3	37	fr
Oslo	3	38	-3	27	fr
Paris	4	39	0	32	fr
Prague	1	34	-2	28	sw
Reykjavik	0	46	-3	27	sw
Rome	9	48	-1	30	cl
Stockholm	0	32	-2	28	sw
Strasbourg	4	39	0	32	fr
Venice	5	41	1	34	cl
Vienna	3	37	0	32	fr
Warsaw	3	34	-2	28	sw
Zurich	0	32	-3	27	sw
MIDDLE EAST					
Ankara	7	45	0	32	cl
Beirut	—	—	—	—	no
Damascus	—	—	-2	28	no
Jerusalem	14	57	2	36	fr
Tel Aviv	20	68	5	41	fr
OCEANIA					
Auckland	22	72	18	64	cl
Sydney	24	75	19	66	fr

ASIA	HIGH C	HIGH F	LOW C	LOW F	
Bangkok	31	88	21	70	cl
Beijing	3	37	-9	16	cl
Hong Kong	16	61	12	54	o
Manila	28	82	21	70	o
New Delhi	20	68	8	46	fr
Seoul	-4	25	-11	12	fr
Shanghai	9	48	-2	28	fr
Singapore	31	88	21	70	r
Taipei	15	59	11	52	o
Tokyo	4	43	0	32	cl
AFRICA					
Algiers	—	—	3	37	fr
Cairo	24	75	—	—	fr
Cape Town	26	79	16	61	fr
Casablanca	16	61	7	45	o
Harare	27	81	17	63	o
Lagos	28	82	—	—	fr
Nairobi	—	—	17	63	fr
Tunis	20	68	6	43	cl
LATIN AMERICA					
Buenos Aires	33	91	19	66	sh
Caracas	27	81	15	59	cl
Lima	—	—	—	—	no
Mexico City	24	75	5	41	sw
Rio de Janeiro	29	84	—	—	fr
NORTH AMERICA					
Anchorage	-3	27	-10	14	pc
Atlanta	2	36	0	32	r
Boston	9	48	0	32	r
Chicago	-9	16	-9	16	sw
Denver	3	37	-8	18	fr
Detroit	-5	23	-15	23	cl
Honolulu	27	81	17	63	fr
Houston	13	55	2	36	fr
Los Angeles	28	82	13	55	fr
Miami	23	73	16	61	fr
Minneapolis	-20	-4	-21	-6	fr
Montreal	-2	28	-10	14	sw
Nassau	25	77	13	55	fr
New York	9	48	5	41	r
San Francisco	17	63	9	48	fr
Seattle	11	52	1	34	pc
Toronto	2	36	-2	28	cl
Washington	5	41	-3	27	sw

cl-cloudy; fo-foggy; fr-fair; h-hail; o-overcast; pc-partly cloudy; r-rain; sh-showers; sw-snow; st-stormy.

MONDAY'S FORECAST — CHANNEL: Slight. FRANKFURT: Fair. Temp. 3 — 6 (27 — 21). LONDON: Variable early, showers later. Temps. 10 — 6 (50 — 43). MADRID: Cloudy. Temps. 10 — 1 (50 — 30). NEW YORK: Rain. Temps. 4 — 2 (39 — 36). PARIS: Rain early, variable later. Temps. 5 — 3 (41 — 27). ROME: Cloudy. Temps. 10 — 1 (50 — 34). TEL AVIV: NA. ZURICH: Fair. Temps. 2 — 6 (36 — 21). BANGKOK: Foggy. Temps. 31 — 20 (88 — 73). HONG KONG: Cloudy. Temps. 17 — 12 (63 — 54). MANILA: Cloudy. Temps. 28 — 21 (82 — 70). SEOUL: Cloudy. Temps. -5 — 13 (23 — 10). SINGAPORE: Fair. Temps. 30 — 23 (86 — 73). TOKYO: Fair. Temp. 7 — 0 (45 — 32).

BOOKS

JOURNALS: 1939-1983
By Stephen Spender, $19.95; 488 pages. Random House, 201 East 50th Street, New York, N. Y. 10022.
Reviewed by Richard Eder

TO BE a minor poet, Stephen Spender reflects in his Journals, is to be like minor royalty. "No one — as a former lady-in-waiting to Princess Margaret once explained to me — is happy as that," he adds.

It is not that this perennial Englishman of letters strips himself naked: He is, he insists, "impelled not to be totally candid." He began the "Journals" in a state of depression in 1939, and for the first 10 years or so, they remained stiff and distant.

Then, something happened; it is hard to say what. Perhaps, as with others of his countrymen, it took at least a decade for Spender to unburden himself with anyone or anything. In any case, his journals were his companion for nearly 45 years until, like the proverbial worn tweeds, they became more like himself than he was.

The "minor poet" reflection reveals a great deal. After charter membership in what he calls "The Thirties Racket" began to pall — you wrote proletarian poems with Oxford diction, were passionate about other young men, and did not get killed, if possible, fighting in Spain — Spender was marooned in a sense of literary inadequacy. Despite figuring as a middle peak in the Auden-Spender-MacNeice Parnassus, he never grew very high. (The Parnassus has come to seem shorter itself, for that matter.) All his life he kept hoping. At 70, he records a scheme to write four really important poems.

As for the lady-in-waiting quote, it is also revealing. Spender, essentially a shore bird, kept making light tracks to wherever the wave was breaking. From 1930s radical, he became an establishment critic, professor, panelist, symposium chairman, traveler in literary politics and, finally, Sir.

That is the unkind version, if you like. But Spender's journals take us past questions of kindness or unkindness. He explored himself and his times for nearly half a century with wit, sensitivity, malice and an oddly open heart and eye. By the end, he is perfectly willing to quote a Seattle airline attendant who remarks: "Gee, a near-celebrity."

This is fair disclosure for a man who confesses himself to be a socker for seeing his name in print: "My heart really does do something journalistic — stop a beat, give a jump — if my eye hooks on to the printed word 'Spender' or even — now I am getting a bit astigmatic — any conformation of letters like it. ('Spring' for example.)"

As a founder of Horizon, and later as an editor of Encounter and Index magazines, Spender was in the thick of Britain's steadily thinning literary life. He knew everyone. Arguing with a friend as to whether the protagonist in T. S. Eliot's "Family Reunion" had committed real or only symbolic murder, it was a matter of course to hop a cab over to Faber and Faber after lunch to ask the author. The Great Man replied in high Eliotese that "he did not think it important to know."

Spender's connections were international. He writes about walking past the Payne-Whitney clinic in New York and seeing "a woebegone man with a look on his face which combined suffering with gentleness and sympathy, sitting on a trash can at the edge of the sidewalk." It was Robert Lowell. The two chatted about Lowell's suicide attempt until two nurses came and collected him. There is a piquant encounter with Louis Aragon, a fellow-guest at the Rothschild estate at Mouton. Aragon, one of the last cultural figures reliably available to the French Communist Party, confided that he really detested the Communists because they were liars.

Auden appears throughout. There was a bond, but a good deal of prickliness, as well. Visiting him in Italy, Spender asked for lire in exchange for a pound note so he could buy cigarettes. Auden consulted the pound exchange rate in the paper, and announced triumphantly that it had gone down in his favor. The meanness stunned and infected. Spender remembered Auden coming and drinking up his wine; and a previous time when it was he who had drunk up Auden's champagne.

Spender ended up ahead, of course. To support his family, he spent years crisscrossing the United States, giving lectures and poetry courses. It was, to some extent, a matter of "Have Auden, Will Travel." Spender realized that part of his value was the anecdotes. "People want to know from me about other people, mostly dead," he writes.

Spender could be a shrewd critic, but the critical reflections in the journals tend to be self-conscious and woolly. The literary scene emerges more sharply than the literature. In a single line, he splendidly evokes the snobbish misery of a London authors' lunch. "Everyone behaved as though he was being at once consciously disappointed and a disappointment."

He says little about his marriages; the first, brief and unhappy; the second, long and apparently serene. He makes various references to his homosexual affairs; among them, a 30-minute encounter with Richard Crossman, later a prominent Labor politician; and a more protracted one with a University of Florida student.

The most vivid note of emotion comes in his references to his son, Matthew. He recalls the child telling him, as they were driving together and he was feeling low: "Don't look like that, Dad, I can't bear it." Later, Matthew announced that he would try to win a scholarship so that Spender could stop his frenetic traveling and concentrate on poetry.

Clearly, the poetry was not there. Spender needed his perpetual busyness to provide material and occasions for a less autonomous, but quite genuine gift. As he intimates towards the end, his Journals contain some of his most valuable work.

Richard Eder is on the staff of the Los Angeles Times.

Solution to Friday's Puzzle

H	A	L	F		B	O	M	B		S	C	H	M	O
A	N	I	L		E	C	O	L		A	H	E	A	D
S	O	D	A		S	T	R	U	C	T	U	R	E	D
	N	O	G	R	E	A	T	S	H	A	K	E	S	
			S	E	E	D		T	E	N	A			
A	N	T	H	E	M		T	E	R		R	O	A	M
L	U	R	I	D		S	E	R	U	M		A	L	E
D	R	O	P	I	N	T	H	E	B	U	C	K	E	T
E	S	P		T	I	R	E	D		T	H	E	R	E
R	E	E	S		P	I	E		T	A	I	N	T	S
			C	A	P	P		S	I	N	N			
	S	M	A	L	L	P	O	T	A	T	O	E	S	
G	O	A	L	K	E	E	P	E	R		O	R	A	D
A	L	L	A	Y		R	I	T	A		K	I	L	O
B	E	A	R	D		S	E	S	S		S	E	E	R

1/25/86

BRIDGE

By Alan Truscott

ON the diagramed deal, from an international team championship tournament both teams reached six no-trump, but the opening lead varied. After the auction shown, West led a spade and South had no trouble. After a slightly different auction, in which South showed some spade strength, West led the heart six and gave the declarer no help.

South won with the heart queen, led to the club ace and continued that suit. He did not know what to do when the queen won, for a third club lead could mean quick defeat. He cashed four rounds of diamonds, and East, in some trouble, gave up two spades. The spade king was cashed, leaving this postion:

NORTH
♠ 4 3
♡ A K 8
◇ —
♣ —

WEST
♠ 9 8
♡ 9 4
◇ —
♣ 10

EAST
♠ Q
♡ J 3 2
◇ —
♣ K

SOUTH
♠ A J
♡ 7
◇ —
♣ J 8

It seemed likely to South that West had begun with 3-4-4-2 and was guarding both major suits, so he played three rounds of hearts. That might have end-played West, but East produced the winning heart and the club king to defeat the slam.

NORTH
♠ K 4 3
♡ A K 8 5
◇ K Q 6 5
♣ A 2

WEST
♠ 9 8 2
♡ 9 8 4
◇ 9 8 4 2
♣ 10 5 3

EAST
♠ Q 10 7 6
♡ J 10 3 2
◇ 10 7
♣ K 9 4

SOUTH (D)
♠ A J 5
♡ Q 7
◇ A J 3
♣ Q J 8 7 6

Neither side was vulnerable. The bidding:

South	West	North	East
1 N.T.	Pass	2 ♣	Pass
2 ◇	Pass	6 N.T.	Pass
Pass	Pass		

West led the spade nine.

SPORTS BRIEFS

East German Women Set Track Marks

BERLIN (Combined Dispatches) — Heike Drechsler of East Germany leaped 23 feet 11 inches (7.29 meters) to break the women's indoor world long jump mark at a competition Saturday in East Berlin, and on Sunday teammate Cornelia Oschkenat ran a women's indoor-best of 6.73 seconds in the 50-meter hurdles.

Drechsler, 21, broke the mark of 23-9½ set last year by Galina Chistyakova of the Soviet Union. Drechsler also holds the outdoor world record of 24-5.

Oschkenat cut a hundredth of the second off the mark set by Anneliese Erhardt of East Germany in February 1973 and tied by Zofia Bielczyk of Poland in February 1981. *(AFP, AP)*

Sutton Takes 4-Shot Lead in U.S. Golf

PHOENIX, Arizona (AP) — Hal Sutton overcame a balky putter with a 3-under-par 68 Saturday and increased his lead to four strokes in the third round of the Phoenix Open golf tournament.

Sutton was at 196 with Howard Twitty, a native of Phoenix who shot 70, second at 200. Calvin Peete, the defending titleholder, put a 173-yard (158-meter), five-iron shot into the cup for an eagle-2 on the 11th hole for a 68 and was tied at 201 with Curtis Strange, Greg Norman of Australia, Ronnie Black and Tony Sills. Sills and Strange each shot 65, Norman 66 and Black 69.

Friday, Sutton shot a second-straight bogey-free 64 for a two-stroke lead over Twitty, who carded a 63. Don Pooley, who won the Vardon Trophy in 1985 for the low stroke average on the tour, matched the course record with a 10-under-par 61, but an opening-round 74 put him at 135. PGA champion Hubert Green, the first-round leader at 63, went 11 shots higher and out of contention.

NHL Suspends Detroit Coach for 6 Games

DETROIT (AP) — The National Hockey League has suspended Brad Park, coach of the Detroit Red Wings, for six games and fined the team $5,000 in connection with a bench-clearing brawl earlier this month in Toronto. A team spokesman said Park will begin the suspension next Friday.

Details of the suspension were announced Saturday by the NHL's president, John A. Ziegler Jr., said the team spokesman. Park's suspension is the seventh this season against the Red Wings, who had the league's worst record (10-34-5) following Saturday's 6-3 defeat in Boston.

Park, who replaced Harry Neale as coach on Dec. 30, had admitted sending his players onto the ice in the closing minutes of a Jan. 13 game in Maple Leaf Gardens. Toronto led, 6-4, at the time of the melee and won by 7-4.

Ourasi Wins Premier French Trotting Race

PARIS (AP) — Ourasi won the Prix d'Amérique at Vincennes Racetrack on Sunday, bringing his owners 1.1 million francs ($146,000) in prize money and a record-tying sixth victory in France's premier trotting race for driver Jean-René Gougeon.

Mon Tourbillion was second, followed by the Italian-owned Micron Hanover.

Quotable

• Golf teacher Phil Rodgers, acknowledging that he didn't miss many parties during his years on the PGA tour: "Some mornings I didn't really warm up — I just hit enough putts to see what frequency my nerves were on." *(LAT)*

Steiner Takes 3d Slalom; Stenmark Ends Drought

Compiled by Our Staff From Dispatches

ST. GERVAIS, France — Roswitha Steiner of Austria won her third women's World Cup slalom of the skiing season here Sunday

WORLD CUP SKIING

while the powerful Swiss team fell victim to spills on the quick turns of a hard-packed course.

On Saturday in St. Anton, Austria, Ingemar Stenmark of Sweden won his first men's World Cup slalom in two years, while in Megève, France, Michaela Marzola of Italy won her first cup race, beating Elisabeth Kirchler of Austria by 10-hundredths of a second in a women's super-giant slalom.

Steiner, 22 and in her seventh World Cup season, completed the 58-gate first run on the St. Gervais course with a 155-meter (508-foot) vertical drop in 45.66 seconds. She made the 57-gate second run in 45.38 for a winning total of 1 minute, 31.44 seconds. Another veteran slalom specialist, Perrine Pelen of France, was second in 1:31.60, with Mateja Svet, 17, of Yugoslavia third in 1:31.64.

"I had a perfect second run," said Steiner, who won at Sestriere, Italy, in the first of this season's five slalom races, and again at Maribor, Yugoslavia.

Erika Hess of Switzerland fell midway through her second run but retained the overall cup lead. Brigitte Oertli was disqualified when she ran over the next-to-last gate on her second run and another Swiss, Brigitte Gadient, crashed near the end of her second run.

Hess's younger sister, Monika, finished fourth in 1:31.77 and won the combined event after finishing 18th in Saturday's super-giant slalom at nearby Megève. It was Monika Hess's first World Cup victory, which put her 25 short of her sister, the two-time overall champion.

Corinne Schmidhauser of Switzerland was second in the combined, with Austria's Anita Wachter third.

Olga Charvatova of Czechoslovakia, a slalom specialist who entered the race a heavy favorite to win the combined after placing fifth Saturday, fell on the second gate of her first run.

Vreni Schneider of Switzerland, in third place overall behind Hess and Maria Walliser, stretched her right knee ligaments in a fall Saturday and said she would be unable to compete for at least three weeks.

Marzola, starting 30th, covered the 1,620-meter course at Megève, with its 40 gates and a drop of 415 meters, in 1:20.73. Kirchler was timed in 1:20.83 and Traudl Hächer of West Germany in 1:21.01.

Michaela Marzola
"... I didn't think I would win."

The 19-year-old winner's best previous finish had been a fifth place in the downhill and 10th in the giant slalom at Puy St. Vincent. But she took over first place in the super-giant standings with 41 points, one ahead of two West Germans, Hächer and Marina Kiehl.

"I skied very well," said Marzola. "Still, I didn't think I would win."

The race was run through a continuous snowfall, and the soft snow on the course put early starters at a strong disadvantage. Switzerland's Walliser, who was first off, finished 34th overall.

Stenmark, 29, put together times of 52.33 and 55.26 seconds for an aggregate 1:47.59 on the snow-driven course at St. Anton for his 81st World Cup victory. Rok Petrovic of Yugoslavia was second in 1:47.87, with Jonas Nilsson of Sweden third in 1:47.93.

Stenmark dominated both the giant and special slalom for much of his 12-year career, but last won a slalom in 1984 at Parpan, Switzerland. Why does he keep going? "I love skiing," he said. "I can't explain it any other way."

Stenmark was second to Petrovic after the first run, but turned in the fastest time of all in the second heat.

Stenmark took a two-point edge over Nilsson in the slalom standings and closed to within three points of the overall cup leader, Austrian downhiller Peter Wirnsberger. *(AP, UPI)*

■ **Men's Downhill Postponed**

The Kandahar World Cup men's downhill was postponed Sunday because of heavy snow and fog, Reuters reported from St. Anton. The race was rescheduled for Friday in Wengen, Switzerland.

Organizers said it was impossible to hold it Monday, since many racers were to take part Tuesday in a giant slalom in Adelboden, Switzerland.

Roswitha Steiner, winning Sunday's cup slalom in St. Gervais, France. Said she: "I had a perfect second run."

هكذا من الاصل

SPORTS

The Associated Press

Olson Raises Indoor Vault Record to 19-4

On his first attempt at the height, Billy Olson cleared 19 feet, 4 inches at a track meet Saturday night in Albuquerque, New Mexico, setting his third world indoor pole vault record in a month. On Dec. 28, Olson vaulted a record 19-2¾; on Jan. 15, Sergei Bubka of the Soviet Union raised the standard to 19-3, but two days later the American reclaimed the record at 19-3½. "I'm extremely keyed up," said Olson on Saturday. "I could have jumped all night. I'm right on schedule — I'm really looking forward to the meeting with Bubka at the Millrose Games," Feb. 14 in New York. "I can't say who will do it, or when, but there will be a 20-foot vault someday."

Individual Matchups the Super Bowl Key

By Christine Brennan
Washington Post Service

NEW ORLEANS — From the broad perspective, Sunday's Super Bowl XX was to be a game between the Chicago Bears and the New England Patriots. But it really came down to a contest between individuals.

Jim McMahon vs. the New England linebackers: Having wreaked havoc throughout Super Bowl week, quarterback McMahon obviously was ready for the game itself. He is competitive and feisty; his mobility and originality have made the Bear offense much, much better. If his sore rear end hampered his ability to run, the Bears could be in trouble. If the Patriot defense, especially outside linebackers Andre Tippett and Don Blackmon, could contain him, the Bears could be in trouble. But McMahon, who never seems to be totally healthy, rolls left and throws better on the run than almost anyone else. He enjoys throwing play-action passes to his wide receivers, especially Willie Gault and Dennis McKinnon. There was no reason to believe that would stop now.

Tony Eason vs. Chicago free safety Gary Fencik: Was quarterback Eason healthy? If he was (he returned to practice Saturday after a mild bout of flu), this could be quite a cerebral matchup. The Bears use their free safety, in the 46 defense, differently from the way most clubs use theirs. He inches closer and closer to the line, and winds up in a linebacking position by the time the ball is snapped. Naturally, the middle of the field is left open, but that works for the Bears because they believe their pass rush will get to the quarterback before he gets the ball to those holes. The Bears usually are right. The thinking in this game was that Eason must read Fencik by the third step when dropping back to pass. First-down plays, especially, were likely to offer the greatest chance for the big play — a Chicago sack, a New England bomb — early in the game.

Chicago right defensive tackle William Perry (325 pounds/147.4 kilograms) vs. New England left guard John Hannah (265 pounds): Hannah is a 13-year veteran who seems to have been going to the Pro Bowl since it started, and this battle would likely be won by experience. Hannah enjoys playing against big linemen who try to throw their weight around. Chicago's defensive coordinator, Buddy Ryan, said he would move left end Dan Hampton to the right side if Perry couldn't do the job. Hampton said Hannah is the "best one-on-one blocker in the league." If it took two Bears to do this job, it would alter the vaunted 46 defense.

Chicago right defensive end Richard Dent vs. New England left tackle Brian Holloway: Obviously, the Pro Bowl left side of the Patriots' offensive line and the right side of the Bears' defensive line would be worth watching. Chicago has the best defensive line in the game, and New England's left side of the offensive line is its stronger side. Dent has become the best pass rusher in the league. He was virtually unstoppable in the two playoff games. One mistake by Holloway and Dent would be all over quarterback Eason. Holloway, a strong blocker for the run, had to have a good day for New England to win.

Running back Craig James vs. Chicago middle linebacker Mike Singletary: James's most important role might be occupying Pro-Bowler Singletary, who sacked Eason three times and had an interception in the season's earlier meeting between the teams. The Patriots were likely to send James on reconnaissance missions out of the backfield to keep Singletary busy in pass coverage.

Running back Walter Payton vs. New England inside linebacker Steve Nelson: Payton can run inside and outside, can block, catch passes, can even throw passes. But he had never had a great day against the Patriots (he hadn't gained more than 70 yards in any of three previous encounters). But the Bears have done well all season against 3-4 defenses. Linebackers Nelson and Larry McGrew are tough against the run and at creating turnovers.

Receivers Stanley Morgan, Stephen Starring and Irving Fryar vs. Chicago cornerbacks Leslie Frazier and Mike Richardson: Said Fryar, who was back after cutting his hand: "If they have a weakness on defense, and I'm not sure they do, it's in the defensive secondary." Morgan is considered by some to be the best receiver in the Super Bowl, and Starring has 4.4-second speed for 40 yards (36.5 meters). The Patriots were likely to try to isolate Morgan on Richardson, who is more susceptible than Frazier to being beaten on fade patterns.

The special teams: The Patriot punt-return team improved with Fryar's return (he led the league with a 14.1-yard average). The Bears had trouble on kickoff coverage this season; the Patriots on punt coverage. New England placekicker Tony Franklin had seven field goals in the playoffs; Chicago's Kevin Butler, a rookie, was good on only 3 of 10 attempts longer than 40 yards this season.

Some Telltales of Two Sky-High NFL Cities

By Fox Butterfield
New York Times Service

BOSTON — Growing up in the nearby industrial city of Brockton, John Boyajian could never bring himself to be a fan of the New England Patriots. "They were such a disappointment," he recalled. "A few wins and then they'd die."

Boyajian, 33, a caviar importer, was like many people in New England. Accustomed to the winning tradition of the Boston Celtics, the heroics of the Boston Bruins and the perpetual dreams fostered by the Boston Red Sox, they scoffed at the Pats. In their 27 years of existence the Patriots were best known for such things as calling a former player out of the stands, on the public address system, to return the opening kickoff.

But suddenly Boyajian and nearly everyone else in Boston had what was being called Patriotism.

Kindergarteners at the Upham School in suburban Wellesley, where soccer has virtually replaced football as a fall sport, spent Friday making Patriot hats and pennants.

The Penobscot Indians in northern Maine sent the team 30 pounds of fresh bear meat, and a tanned skin from a black bear that was recently shot on their reservation. According to tribal tradition, giving a hunter a taste of flesh from a hunted animal helps him find and kill his prey, said the Penobscot's governor, Timothy Love.

When the Patriots left last week for New Orleans they were cheered by a crowd of 10,000 at Green Airport in Warwick, Rhode Island.

After the Patriots upset the Miami Dolphins in the American Football Conference title game two weeks ago, Boyajian was so ecstatic he could not sleep all night.

He managed to get two Super Bowl tickets, he explained, by trading 400 pounds of lobster to the Hotel Intercontinental in New Orleans, where the Patriots are staying. The team, it seems, had ordered the lobster for dinner.

Reuters-UPI

. . . A fan at the Patriot sendoff.

As an indication of Patriot fever, the broadcast of the Dolphins game attracted a 72 percent share of the local television market, according to the Nielson ratings. That was the highest for any program in Boston's history.

An enchanted season had made the Patriots into local heroes at last. When Steve Nelson, the veteran middle linebacker, returned home at 3 A.M. after the playoff victory over the Raiders in Los Angeles, he was surprised to find his neighborhood dotted with signs. "Awesome," said one, "Go 57," said another, referring to his number.

"In all the years I've been here, nothing like that had ever happened before — never," Nelson said.

By Andrew H. Malcolm
New York Times Service

CHICAGO — Who cares about the Bears? Obviously, not Chicago.

The big Bears pins that Federal District Judge Prentice H. Marshall wore on the bench and the pins on every member of the jury in the courtroom were just a sartorial coincidence. Just as when many 7-year-old boys showed up at St. Stephen's Elementary School wearing punk sunglasses, white headbands and Bears jerseys with the No. 9 of quarterback Jim McMahon.

Joseph Cardinal Bernardin's schedule for Super Bowl Sunday just happened to start with a mass at 10 A.M. at St. Ignatius Church and was to end with a 7:30 P.M. confirmation at Holy Angels, with an open period the rest of the day.

Chicago was probably going to erect a 20- by 30-foot (6- by 9-meter) television screen outside city hall anyway, so that downtown strollers could watch Sunday's televised golf matches.

The Chicago Symphony Orchestra's concert dates are scheduled years in advance. So it is highly unlikely that anyone was thinking Super Bowl when the orchestra polled its Sunday series subscribers last month about changing the time of the Jan. 26 concert. Still, Sir Georg Solti was to step onto the podium at 1 P.M. Sunday, instead of 3. And the usual capacity crowd of 2,600 was to hear Tchaikovsky's "Romeo and Juliet Fantasy Overture" two hours earlier so it could get outside in time to watch the January sunset over Iowa.

In the week preceding a championship professional football game, does not every city's symphony orchestra return to the stage wearing blue and orange stocking caps to play the team's fight song? And does not every cultured concert audience respond with foot-stomping, chanting bravos for large, hairy mammals?

It was not surprising that The Chicago Tribune would dispatch 27 reporters, editors and photographers to New Orleans on the last weekend in January. The Middle West is always desperate for complete coverage of Louisiana.

Many of the area's major shopping centers planned to close early, at 4 P.M. Sunday, in apparent concern over racking up too many sales 15 minutes before the game's kickoff.

In short, Chicago is so accustomed to having winning professional sports teams that it has grown blasé over the Bears' crushing success this year. It has only been about 8,200 days, or 1,198 weeks, or 23 years, since the Bears' last championship, when they beat the hated New York Giants.

Three weeks ago the Bears again beat the team from the nation's largest city, 21-0. And two weeks ago the Bears thumped the suntanned team from the second largest city, 24-0. It was obviously just good-natured fun that prompted Chicago disk jockeys the next day to telephone, on the air, the city desk of The Los Angeles Times and ask an editor to read aloud the headlines about the Rams' loss.

All in good fun. Or, as Chicago's coach, Mike Ditka, put it, "The theme of this game is, 'Take no prisoners.'"

So the appearance of the efficient Bears in Super Bowl XX aroused no particular excitement here, no special television shows and no banner newspaper headlines. Nor were there any mountains of Bearaphernalia everywhere — pins, hats, shirts, mugs, pennants, posters, keychains. And Bears bears.

Grown businessmen always prefer to wear Bears T-shirts under sportscoats because they are warmer. Taxicabs always drive around with orange bunting and signs that say: "One More Shutout."

Other than that, though, Chicago didn't seem to be caring much about its football team. Just wait till next year.

Magic Gone, Lakers Drop 3d Straight

Compiled by Our Staff From Dispatches

INGLEWOOD, California — The National Basketball League champion Los Angeles Lakers have fallen apart in the absence of Earvin (Magic) Johnson.

The Denver Nuggets, a team battling a slump, took charge midway through the second quarter here Saturday night and never looked back in blowing out the Lakers, 127-115.

Hobbled by a sore right knee, an obviously below-par Johnson played in a 110-95 massacre Wednesday night in Boston and on Friday he watched the Lakers lose to the crosstown Clippers, 120-109. He was on the bench again Saturday.

Among the problems the Lakers have when Johnson is missing are the absence of a fast break, poor rebounding and a disorganized half-court offense. Johnson is the NBA's assists leader at 13.1 per game.

Adding to the woes of Coach Pat Riley, two other players are ailing. Maurice Lucas missed the second half against Denver because of dizziness and a headache. Michael Cooper limped on a sore calf injured during the loss to the Clippers. He was not at his best against the Nuggets.

While Riley admits that the loss of Johnson is a blow, "there is no reason to panic. A 32-10 record is not too bad. . . . But this is a delicate game. Just a couple of little things can throw off your game."

NBA FOCUS

Alex English scored 20 points to lead the Denver attack. Calvin Natt added 18 points and Wayne Cooper scored 14 and pulled down a game-high 14 rebounds for the winners, while Lafayette Lever had 13 points and a game-high 10 assists. Eight Nuggets scored in double figures.

The teams played evenly and finished the first quarter tied, 31-31. The score was 41-41 at 7:51 of the second quarter when the Nuggets went on a 19-6 tear; they led by 65-53 at halftime.

As the game started getting away from the Lakers, Riley seemed ready to try anything. He moved 6-foot-9 (2.05-meter) James Worthy to a guard spot on offense. He had Worthy and Cooper at guard, Kurt Rambis and A.C. Green at forward and Kareem Abdul-Jabbar at center.

The move lasted a minute in the third quarter — when Rambis picked up his fourth foul.

The Lakers were unable to draw any closer than nine points in the third period, and the Nuggets pulled away to lead 95-80 going into the final quarter.

"Hopefully, we can do this in the playoffs," said English. "We were very disappointed last year, so we're all happy with our success with the Lakers."

"This was a big win for us," said Nuggets Coach Doug Moe. "We had lost at home Friday night and have been struggling."

Moe said he wished his team had the Lakers' problems.

"So they'll win the division by 20 games instead of 21," he said. "I'm not feeling sorry for them. Are you kidding?" *(LAT, AP)*

SCOREBOARD

European Soccer

WEST GERMAN FIRST DIVISION
Frankfurt 2, Fortuna Duesseldorf 0
Kaiserslautern 0, FC Nuremberg 3
Borussia Dortmund 5, Cologne 1
Bayer Leverkusen 2, Hamburg 2
Werder Bremen 1, Saarbruecken 0
Bor. Mönchengladbach 4, Hannover 3
Bayern Munich 3, Schalke 2
Stuttgart 0, Bayer Uerdingen 2
Points: Werder Bremen 31; Bayern Munich, Borussia Mönchengladbach 27; Hamburg 25; Bayer Leverkusen 24; Bayer Uerdingen 21; Waldhof Mannheim 20; Bochum, Stuttgart 19; Cologne, Borussia Dortmund 18; Schalke, Kaiserslautern, Eintracht Frankfurt 17; Nuremberg 16; Saarbruecken 15; Hannover 14; Fortuna Duesseldorf 11.

ITALIAN FIRST DIVISION
Avellino 1, Milan 1
Como 1, Bari 1
Inter 2, Udinese 1
Juventus 3, Verona 0
Lecce 2, Fiorentina 1
Pisa 1, Atalanta 1
Roma 2, Napoli 0
Sampdoria 0, Torino 0
Points: Juventus 31; Roma 26; Milan 23; Napoli, Torino 22; Inter Milan 20; Fiorentino 19; Sampdoria, Verona 18; Pisa, Como, Atalanta, Avellino 17; Bari 14; Udinese 13; Lecce 10.

SPANISH FIRST DIVISION
Hercules 2, Sevilla 1
Barcelona 3, Athletic de Bilbao 1
Cadiz 2, Osasuna 0
Valladolid 2, Atletico Madrid 1
Real Madrid 1, Zaragoza 0
Celta 1, Santander 2
Gijon 1, Español 1
Real Sociedad 4, Valencia 0
Betis 1, Las Palmas 1
Points: Real Madrid 36; Barcelona 33; Atletico Madrid, Gijon, Athletic Bilbao 27; Real Sociedad 25; Sevilla 24; Valladolid 23; Zaragoza 22; Betis 21; Español, Cadiz 20; Hercules 18; Santander, Valencia 17; Las Palmas 15; Osasuna 13, Celta 11.

ENGLISH FIRST DIVISION
Oxford 0, Coventry 1
Points: Manchester United 55; Everton, Liverpool, Chelsea 53; West Ham 45; Sheffield Wednesday 44; Luton 44; Nottingham Forest, Arsenal 43; Watford, Newcastle 36; Tottenham, Manchester City 35; Southampton, Queens Park Rangers 33; Coventry 28; Leicester 26; Aston Villa 24; Oxford, Ipswich 23; Birmingham 18; West Bromwich 13.

Transition

BASEBALL
National League
CHICAGO—Signed Lary Sorensen, pitcher, to one-year contract.
SAN DIEGO—Signed Leon Roberts, second baseman, to a one-year contract.
SAN FRANCISCO—Signed Atlee Hammaker and Mark Davis, pitchers, to one-year contracts. Traded Fran Mullins, infielder, to Cleveland.

BASKETBALL
National Basketball Association
LEAGUE—Fined New York's Ken Bannister $2,000 and Golden State's Larry Smith $1,000 for fighting in a game Jan. 21; fined San Antonio's Steve Johnson $1,500 and New York's Bob Thornton $500 for fighting in a game Jan. 17.
NEW YORK—Activated Bill Cartwright, forward. Placed Pat Cummings, forward, on the injured list.

FOOTBALL
National Football League
KANSAS CITY—Named John Paul Young defensive line coach and Carl Mauck offensive line coach.
N.Y. JETS—Named Jim Vechiarello linebacker coach.
WASHINGTON—Signed Joe Theismann, quarterback, to a two-year contract and Art Monk, wide receiver, to a three-year contract.

HOCKEY
National Hockey League
DETROIT—Recalled Adam Oates, center, from Adirondack of the American Hockey League.
N.Y. ISLANDERS—Assigned Art Hosmeau, right wing, to Springfield of the American Hockey League.

Hockey

National Hockey League Standings

WALES CONFERENCE	W	L	T	Pts	GF	GA
Patrick Division						
Philadelphia	35	14	0	70	215	147
Washington	29	14	4	62	193	159
NY Islanders	21	17	10	52	194	176
Pittsburgh	22	22	5	49	189	182
NY Rangers	22	23	3	47	165	164
New Jersey	15	30	2	32	178	225
Adams Division						
Montreal	27	17	5	59	219	170
Quebec	28	18	2	58	199	162
Hartford	26	28	1	53	199	174
Boston	23	18	7	53	190	173
Buffalo	22	21	5	49	181	169
CAMPBELL CONFERENCE						
Norris Division						
Chicago	23	18	7	53	215	210
St. Louis	20	20	6	46	174	182
Minnesota	18	22	8	44	192	188
Toronto	12	30	5	29	188	230
Detroit	10	34	5	25	163	246
Smythe Division						
Edmonton	34	11	4	72	259	199
Calgary	22	21	4	48	200	185
Los Angeles	15	26	6	36	171	220
Vancouver	15	27	6	36	173	281
Winnipeg	15	31	5	35	181	237

FRIDAY'S RESULTS
N.Y. Islanders 1 5 1—7
Washington 2 2 1—5
Bossy (34), Trottier 3 (25), Gilbert (6), B.Sutter (10), Makela (9); Gartner 2 (26), Christian (26), Laughlin (15), Stevens (6). Shots on goal: N.Y. Islanders (on Peeters) 7-11-6—24; Washington (on Smith) 13-9-13—35.
Chicago 0 3 2—5
Buffalo 1 1 1—3
Secord (24), B.Murray (5), Olczyk (17), Bergevin (5), Savard (33); Ruff (19), Foligno (22), Orlando (11). Shots on goal: Chicago (on Barrasso) 5-12-12—32; Buffalo (on Sauve) 13-10-15—38.
New Jersey 0 4 2 0—6
Edmonton 3 0 3 1—7
McSorley (9), Kurri (35), G.Anderson (31), Messier 2 (19), Krushelnyski (9), Gretzky (37); Cirella (4), Preston (13), McNab (13), Verbeek (11), Bridgman (15), Muller (14). Shots on goal: New Jersey (on Fuhr) 7-11-9-0—27; Edmonton (on Billington) 11-7-8-2—28.
Pittsburgh 0 3 0—3
Vancouver 0 4 0—4
Skriko (24), Crawford (7), Lanz (8), Gradin (6); Shedden (23), Schmidt (9), Lemieux (27). Shots on goal: Pittsburgh (on Brodeur) 9-13-6—28; Vancouver (on Romano) 12-13-8—33.
Toronto 1 0 1 0—2
Montreal 0 1 1 1—3
Carbonneau (16), Walter (12), Smith (21); Fergus (19), Salming (2). Shots on goal: Toronto (on Roy) 16-7-5-2—30; Montreal (on Bernhardt) 10-10-11-5—36.
Pittsburgh 0 2 0—2
Calgary 0 2 3—5
Peplinski (16), Suter (8), Patterson (7), Beers (10), MacInnis (7); Errey (10), Mantha (9). Shots on goal: Pittsburgh (on Lemelin) 9-13-9—31; Calgary (on Meloche) 7-13-19—39.
Buffalo 1 2 0—3
Quebec 2 1 1—4
Ashton 2 (16), Shaw (4), Hunter (15); Perreault (15), Tucker 2 (21). Shots on goal: Buffalo (on Malarchuk) 15-8-5—28; Quebec (on Cloutier) 14-15-14—43.

SATURDAY'S RESULTS
Detroit 0 2 1—3
Boston 3 1 2—6
Middleton 3 (13), Burridge (10), Crowder (22), Kasper (13); Larson (12), Cichocki (7), Kisio (9). Shots on goal: Detroit (on Riggin) 6-8-7—21; Boston (on Micalef) 14-15-11—40.
Chicago 1 0 2 0—3
N.Y. Islanders 1 1 1 0—3
Olczyk (18), Savard (34), Secord (24); Bossy (35), Kortko (2), LaFontaine (22). Shots on goal: Chicago (on Hrudey) 13-10-10-1—34; New York (on Bannerman) 9-13-12-3—37.
Winnipeg 1 0 1—2
Hartford 2 4 1—7
W.Babych (8), Tippett (11), Turgeon (27), Quenneville (4), Ferraro (18), Hoffman (1), D.Babych (11); Boschman (20), Arniel (16). Shots on goal: Winnipeg (on Weeks) 6-8-9—23; Hartford (on Hayward) 11-11-4—26.
Washington 1 2 3—6
Minnesota 0 1 2—3
Christian 2 (28), Gustafsson (15), Deitch (2), Taylor (2), Adams (13), McCarthy (8), Lawton (9), Ciccarelli (19). Shots on goal: Washington (on Casey) 17-8-8—33; Minnesota (on Jensen) 10-8-3—26.
Los Angeles 0 1 1—2
Edmonton 2 2 1—5
Anderson (32), Gretzky (38), Krushelnyski (10), Napier (14), Messier (20); Taylor (21), Hardy (5). Shots on goal: Los Angeles (on Moog) 6-15-7—28, Edmonton (on Eliot) 10-7-8—25.
Philadelphia 1 0 0—1
St. Louis 0 0 0—0
McCrimmon (6). Shots on goal: Philadelphia (on Millen) 10-11-13—34; St. Louis (on Jensen) 10-14-24—48.

World Cup Skiing

MEN'S SLALOM
(At St. Anton, Austria)
1. Ingemar Stenmark, Sweden, 1:47.59
2. Rok Petrovic, Yugoslavia, 1:47.87
3. Jonas Nilsson, Sweden, 1:47.93
4. Marc Girardelli, Luxembourg, 1:48.25
5. Paul Frommelt, Liechtenstein, 1:48.96
6. Thomas Buergler, Switzerland, 1:49.23
7. Didier Bouvet, France, 1:49.50
8. Gunnar Neuriesser, Sweden, 1:49.93
9. Frank Woerndl, West Germany, 1:50.02
10. Christian Gaidet, France, 1:50.35

MEN'S OVERALL STANDINGS
1. Peter Wirnsberger, Austria, 138 points.
2. Ingemar Stenmark, Sweden, 127.
3. Marc Girardelli, Luxembourg, 121.
4. Peter Mueller, Switzerland, 99.
5. Rok Petrovic, Yugoslavia, 88.
6. Pirmin Zurbriggen, Switzerland, 86.
7. Jonas Nilsson, Sweden, 83.
8. Bojan Krizaj, Yugoslavia, 75.
9. Paul Frommelt, Liechtenstein, 71.
10. Andreas Wenzel, Liechtenstein, 69.

WOMEN'S SUPER-GIANT SLALOM
(At Megeve, France)
1. Michaela Marzola, Italy, 1:20.73
2. Elisabeth Kirchler, Austria, 1:20.83
3. Traudl Haecher, W. Germany, 1:21.01
4. Katrin Gutensohn, Austria, 1:21.03
5. Olga Charvatova, Czechoslovakia, 1:21.29
6. Marina Kiehl, W. Germany, 1:21.76
7. Anne-Flore Rey, France, 1:21.88
8. Lisa Savijarvi, Canada, 1:22.24
9. Michela Figini, Switzerland, 1:22.28
10. Anita Wachter, Austria, 1:22.50

WOMEN'S SLALOM
(At St. Gervais, France)
1. Roswitha Steiner, Austria, 45.46-45.58—1:31.04
2. Perrine Pelen, France, 45.70-45.90—1:31.60
3. Mateja Svet, Yugoslavia, 45.59-46.05—1:31.64
4. Monika Hess, Switzerland, 46.38-45.39—1:31.77
5. Malgorzata Tlalka-Mogore, France, 46.37-45.42—1:31.79
6. Ida Ladstaetter, Austria, 45.83-46.23—1:32.06
7. Maria Epple-Beck, West Germany, 45.70-46.42—1:32.12
8. Corinne Schmidhauser, Switzerland, 46.05-46.21—1:32.26
9. Caroline Beer, Austria, 46.22-46.13—1:32.35
10. Helene Barbier, France, 46.79-45.84—1:32.63

WOMEN'S OVERALL STANDINGS
1. Erika Hess, Switzerland, 176 points
2. Maria Walliser, Switzerland, 172
3. Vreni Schneider, Switzerland, 170
4. Michela Figini, Switzerland, 132
5. Michaela Gerg, W. Germany, 117
6. Marina Kiehl, W. Germany, 114
7. Katrin Gutensohn, Austria, 112
8. Brigitte Oertli, Switzerland, 89
9. Traudl Haecher, W. Germany, 81
10. Roswitha Steiner, Austria, and Laurie Graham, Canada, 75

Basketball

Reuters-United Press International

Georgia Tech's Antoine Ford squeezed this pass between Joe Wolf (left) and Kevin Madden, but Wolf's 22 points helped unbeaten North Carolina to an 85-77 victory on Saturday.

Selected U.S. College Scores

FRIDAY'S RESULTS
EAST
Bowdoin 49, Amherst 48
Colby 85, Williams 80
Marquette 66, Hartford 55
Penn 88, Lafayette 69
Rochester 62, RPI 61
Union 78, Hobart 76, OT
MIDWEST
Cornell 67, Chicago 65
Knox 67, St. Norbert 64
N. Dakota 68, N. Colorado 57
Neb.-Omaha 66, N. Dakota St. 60
William Penn 77, Central 56
FAR WEST
Boise St. 73, Montana St. 70
E. Montana 66, Puget Sound 55
Humboldt St. 55, Cal-Davis 54
Idaho 70, Montana 64
Idaho St. 78, N. Arizona 72
Loyola, Calif. 55, Santa Clara 54
Metro St. 67, Santa Fe 64
New Mexico 64, Colorado St. 51
Pepperdine 78, San Francisco 66
Weber St. 89, Nev.-Reno 68

SATURDAY'S RESULTS
EAST
Alfred 91, RIT 53
American Intl. 75, Merrimack 59
Amherst 76, Colby 72
Army 54, La Salle 52
Babson 83, Suffolk 68
Boston U. 79, Vermont 62
Buffalo St. 92, Buffalo 70
Canisius 76, New Hampshire 49
Columbia 62, Cornell 53
C.W. Post 114, Mercy 72
Dartmouth 56, Colgate 52
Drew 64, Vassar 60
Drexel 90, Delaware 89, OT
Duquesne 67, Rhode Island 60
Fairfield 74, Holy Cross 61
Franklin & Marshall 82, Gettysburg 61
George Washington 65, Penn St. 61
Georgetown 73, Boston Col. 66
Harvard 81, Brandeis 58
Hofstra 67, Towson St. 55
Iona 81, Fordham 49
Kings Point 79, Worcester Tech 59
Lafayette 78, Bucknell 59
LIU 81, Fairleigh Dickinson 80
New Hampshire Col. 100, Keene St. 77
New Haven 75, Bridgeport 64
Niagara 79, Maine 73
Rider 69, Lehigh 68
Rochester 71, Union 66
St. John's 68, Pittsburgh 67
St. Joseph's 71, Rutgers 57
St. Lawrence 87, Ithaca 54
Syracuse 80, Connecticut 67
Temple 87, St. Bonaventure 74
Tn.-Chattanooga 81, Marshall 74
Trinity 75, Tufts 74
Villanova 80, Providence 68
W. Virginia 69, Massachusetts 61
Williams 72, Bowdoin 58
Yale 73, Brown 70
SOUTH
Akron 66, Tennessee Tech 54
Alabama 67, Florida 64
The Citadel 64, Davidson 61
Clemson 46, Wake Forest 43
Duke 88, Maryland 68
E. Carolina 73, George Mason 67
Furman 81, E. Tennessee St. 74
Georgia 91, Mississippi 75
Kentucky 74, Tennessee 57
Memphis St. 79, Missouri 68
Mississippi St. 64, Vanderbilt 60
Murray St. 67, E. Kentucky 55
N. Carolina St. 55, Virginia 53
Navy 76, William & Mary 68
N.C.-Wilmington 85, James Madison 66
North Carolina 85, Georgia Tech 77
Richmond 74, American U. 59
Southern U. 91, Texas Southern 58
St. Louis 54, Detroit 52
Virginia Tech 86, Florida St. 73
W. Carolina 57, VMI 55
W. Kentucky 81, Ala.-Birmingham 75
Xavier, Ohio 86, Oral Roberts 74
MIDWEST
Ball St. 58, Cent. Michigan 54
Bradley 74, Creighton 56
Butler 78, Chicago St. 74
Cincinnati 82, Dayton 77
Drake 68, S. Illinois 63
E. Michigan 83, N. Illinois 74
Idaho St. 79, Nev.-Reno 72
Illinois St. 77, Indiana St. 73
Indiana 71, Illinois 69
Kansas 71, Louisville 69
Kent St. 84, Bowling Green 72
Kenyon 69, Denison 66
Miami, Ohio 68, W. Michigan 60
Michigan St. 91, Michigan 79
N. Colorado 72, N. Dakota St. 68
Neb.-Omaha 48, N. Dakota 45
Nebraska 75, Iowa St. 58
Northwestern 85, Iowa Wesleyan 57
Oberlin 89, Case Western 73
Ohio St. 73, Purdue 66
Oklahoma 83, Kansas St. 80
Oklahoma St. 83, Colorado 76
S. Dakota 62, S. Dakota St. 60
Toledo 100, Ohio U. 98
Wisconsin 69, Iowa 63
SOUTHWEST
Abilene Christian 75, E. Texas St. 52
Houston 71, So. Methodist 66
Lamar 65, Arkansas St. 61
Louisiana Tech 72, Texas-Arlington 62
NE Louisiana 79, N. Texas St. 56
Pan American 84, Texas-San Antonio 71, OT
Phillips 54, Oklahoma Christian 53
Sam Houston St. 71, NW Louisiana 63, OT
Stephen F. Austin 82, SW Texas 65
Texas A&M 68, Rice 55
Texas Christian 63, Texas Tech 55
Tulsa 69, Wichita St. 58
FAR WEST
Arizona 85, Oregon 68
Arizona St. 71, Oregon St. 56
Brigham Young 87, Utah 69
Cal-Davis 83, Sacramento St. 63
California 75, UCLA 67
Denver 73, Santa Fe 63
Loyola, Calif. 76, San Francisco 62
Montana 75, Boise St. 61
Montana St. 70, Idaho 69
N. Arizona 65, Weber St. 57
Nev.-Las Vegas 72, Long Beach St. 66
Pacific 61, Utah St. 60
Pepperdine 64, Santa Clara 60
Puget Sound 62, E. Montana 58
San Jose St. 48, Fresno St. 45
Seattle Pacific 80, Seattle 70
Texas-El Paso 71, New Mexico 70, OT
Washington 72, Washington St. 63

TOURNAMENT
Manhattanville Castle Classic
First Round
Staten Island 89, Salisbury St. 87, OT
Manhattanville 87, Hamilton 80

National Basketball Association Standings

EASTERN CONFERENCE	W	L	Pct.	GB
Atlantic Division				
Boston	32	8	.800	—
Philadelphia	29	14	.674	4½
New Jersey	26	19	.578	8½
Washington	23	21	.523	11
New York	15	29	.341	19
Central Division				
Milwaukee	30	15	.667	—
Atlanta	24	18	.571	4½
Detroit	21	23	.477	8½
Cleveland	18	25	.419	11
Chicago	16	28	.364	13½
Indiana	12	31	.279	17
WESTERN CONFERENCE				
Midwest Division				
Houston	30	14	.682	—
Denver	25	19	.568	5
San Antonio	24	21	.533	6½
Dallas	20	21	.488	8½
Utah	22	24	.478	9
Sacramento	16	28	.364	14
Pacific Division				
L.A. Lakers	32	10	.762	—
Portland	28	19	.596	6½
L.A. Clippers	17	29	.370	17
Seattle	16	28	.364	17
Phoenix	15	27	.357	17
Golden State	14	34	.292	21

FRIDAY'S RESULTS
Golden State 27 26 25 36—114
Boston 37 26 30 42—135
Bird 10-16 4-4 25, Wedman 9-22 2-2 22; Mullin 10-17 3-4 24, Floyd 8-11 3-3 19. Rebounds: Golden State 55 (Smith 12); Boston 54 (Wedman 13). Assists: Golden State 19 (Huston 7); Boston 38 (Johnson 7).
New York 27 26 24 23—100
Atlanta 36 32 22 27—117
D.Wilkins 14-24 8-9 36, Willis 5-10 5-7 15, Wittman 7-11 1-2 15; Ewing 9-18 6-8 24, Orr 2-3 7-8 11, Cartwright 3-4 5-8 11, G. Wilkins 4-11 3-6 11. Rebounds: New York 40 (Bailey 6); Atlanta 61 (Rollins 12). Assists: New York 22 (Sparrow 5); Atlanta 27 (Rivers 16).
Milwaukee 29 35 21 32—117
Indiana 23 17 30 22— 92
Cummings 9-19 4-4 22, Moncrief 6-11 6-7 18; Tisdale 7-13 2-2 16, Richardson 6-9 3-4 15. Rebounds: Milwaukee 53 (Davis 13); Indiana 27 (Kellogg 11). Assists: Milwaukee 31 (Pressey 9); Indiana 24 (Richardson 6).
Philadelphia 38 25 26 32—121
Cleveland 26 31 28 29—114
Cheeks 13-17 4-4 30, Malone 11-19 6-8 28; Free 11-21 5-7 28, Turpin 12-23 2-5 26. Rebounds: Philadelphia 44 (Barkley, Malone 10); Cleveland 48 (Lee 10). Assists: Philadelphia 24 (Barkley 9); Cleveland 27 (Lee 7).
Detroit 34 25 35 35—129
Dallas 30 34 26 30—120
Tripucka 12-19 6-6 32, Thomas 12-19 3-6 28; Aguirre 14-23 7-12 35, Vincent 8-11 7-7 23. Rebounds: Detroit 56 (Laimbeer 18); Dallas 44 (Aguirre, Harper 7). Assists: Detroit 39 (Thomas, Dumars 12); Dallas 17 (Blackman, Harper 4).
San Antonio 36 30 23 24—113
Denver 21 25 28 24— 98
Gilmore 7-10 9-10 23, Mitchell 9-18 4-4 22; Evans 7-15 0-0 15, English 7-18 0-0 14, Hanzlik 4-9 6-7 14, Schayes 7-13 0-0 14. Rebounds: San Antonio 64 (Gilmore 19); Denver 45 (English 12). Assists: San Antonio 30 (Matthews 11); Denver 22 (Lever, Hanzlik 5).
L.A. Lakers 30 22 23 34—109
L.A. Clippers 29 37 34 20—120
M.Johnson 8-11 6-6 22, Nimphius 8-13 3-5 19; Worthy 11-19 4-4 26, Abdul-Jabbar 11-18 3-3 25. Rebounds: Lakers 44 (Worthy 11); Clippers 44 (Nimphius 10). Assists: Lakers 32 (Cooper 13); Clippers 28 (M.Johnson, Nixon 8).

SATURDAY'S RESULTS
Detroit 30 24 29 29—112
Houston 24 31 24 38—117
Olajuwon 11-21 5-6 27, Reid 8-18 3-4 19; Thomas 10-23 5-6 27, Tripucka 7-14 6-6 20. Rebounds: Detroit 56 (Laimbeer 15); Houston 58 (Olajuwon 18). Assists: Detroit 30 (Thomas 9); Houston 33 (Lucas 9).
Phoenix 33 28 26 27—114
Chicago 35 38 24 36—133
Woolridge 18-27 7-10 44, Green 10-20 7-10 27; Davis 14-21 1-2 30, Edwards 7-11 9-11 23. Rebounds: Phoenix 48 (Nance 10); Chicago 48 (Green 11). Assists: Phoenix 22 (Adams 5); Chicago 29 (Macy 8).
Dallas 27 28 33 35—123
San Antonio 30 22 28 27—107
Aguirre 13-22 4-7 30, Blackman 12-21 5-6 29; Robertson 10-17 3-3 23, Mitchell 8-16 2-2 18. Rebounds: Dallas 40 (Donaldson 7); San Antonio 39 (Gilmore 12). Assists: Dallas 30 (Aguirre, Harper 6); San Antonio 28 (Matthews 9).
Atlanta 31 26 26 29—102
Washington 32 27 22 30—111
Robinson 16-27 6-7 38, Malone 12-20 5-7 29; Wilkins 12-30 11-12 35, Koncak 8-15 3-4 19, Wittman 9-17 1-2 19. Rebounds: Atlanta 61 (Koncak 13); Washington 51 (Robinson 11). Assists: Atlanta 14 (Battle 5); Washington 17 (G.Williams 6).
Golden State 31 18 28 24—101
Indiana 35 34 25 40—134
Williams 12-18 3-5 27, Stipanovich 7-11 7-7 21; Teagle 8-14 3-3 19, Short 8-21 1-1 17. Rebounds: Golden State 52 (Smith 11); Indiana 62 (Tisdale 13). Assists: Golden State 21 (Floyd 10); Indiana 36 (Kellogg, Fleming 8).
Milwaukee 28 26 24 26—104
New York 25 25 22 16— 88
Moncrief 7-14 9-9 24, Cummings 11-20 1-6 23; Ewing 5-11 10-12 20, Wilkins 9-17 2-2 20, Sparrow 8-17 0-0 17. Rebounds: Milwaukee 46 (L.Lister 11); New York 51 (Ewing 12). Assists: Milwaukee 27 (Cummings, Pressey, Davis 5); New York 21 (Sparrow 10).
Portland 29 31 29 40—129
Sacramento 34 29 37—125
Vandeweghe 10-18 13-13 32, Jones 5-7 11-11 21; Theus 10-21 7-10 28, Johnson 10-20 1-1 21. Rebounds: Portland 33 (Jones 12); Sacramento 57 (Olberding 12). Assists: Portland 29 (Drexler 14); Sacramento 31 (Theus 13).
New Jersey 30 24 23 23— 99
Seattle 23 29 31 23—106
McDaniel 10-20 2-3 22, McCormick 6-8 7-8 19, Wood 6-12 7-9 19; Gminski 7-11 3-4 17, Birdsong 8-12 1-2 17, Dawkins 6-8 5-7 17, Richardson 4-6 5-6 13. Rebounds: New Jersey 32 (Williams 11); Seattle 38 (Sikma, McCormick 7). Assists: New Jersey 28 (Birdsong, Richardson 6); Seattle 31 (Wood 7).
Denver 31 34 30 32—127
L.A. Lakers 31 22 27 35—115
English 8-16 4-5 20, Natt 7-14 4-6 18; Abdul-Jabbar 8-16 10-12 26, Worthy 9-18 0-0 18. Rebounds: Denver 43 (W.Cooper 13); L.A. Lakers 42 (Rambis 10). Assists: Denver 26 (Lever 10); L.A. Lakers 29 (Abdul-Jabbar 9).
L.A. Clippers 21 25 22 23— 90
Utah 27 32 31 30—120
Dantley 9-17 6-6 24, Roberts 7-10 6-8 21; Valentine 3-11 7-9 17, Bridgeman 6-13 4-6 16. Rebounds: L.A. Clippers 45 (Bridgeman 9); Utah 63 (Malone 11). Assists: L.A. Clippers 15 (Nixon 6); Utah 33 (Stockton 7).

NBA All-Star Teams

Totals in fan voting for starting positions in the 36th annual National Basketball Association all-star game, to be played Feb. 9 at the Reunion Arena in Dallas:

EASTERN CONFERENCE
Centers: 1, Moses Malone, Philadelphia, 615,089. 2, Patrick Ewing, New York, 344,843. 3, Jeff Ruland, Washington, 294,516. 4, Bill Laimbeer, Detroit, 264,728. 5, Robert Parish, Boston, 251,576.
Forwards: 1, Larry Bird, Boston, 702,440. 2, Julius Erving, Philadelphia, 396,875. 3, Kelly Tripucka, Detroit, 411,032. 4, Dominique Wilkins, Atlanta, 383,855. 5, Kevin McHale, Boston, 379,696.
Guards:
1, Michael Jordan, Chicago, 719,143. 2, Isiah Thomas, Detroit, 666,613. 3, Sidney Moncrief, Milwaukee, 503,105. 4, Dennis Johnson, Boston, 360,089. 5, World Free, Cleveland, 347,110.

WESTERN CONFERENCE
Centers: 1, Kareem Abdul-Jabbar, L.A. Lakers, 664,826. 2, Akeem Olajuwon, Houston, 434,294. 3, Artis Gilmore, San Antonio, 306,899. 4, Wayne Cooper, Denver, 255,546.
Forwards: 1, Ralph Sampson, Houston, 514,087. 2, James Worthy, L.A. Lakers, 461,528. 3, Alex English, Denver, 410,112. 4, Mike Mitchell, San Antonio, 381,611. 5, Marques Johnson, L.A. Clippers, 363,281.
Guards: 1, Earvin Johnson, L.A. Lakers, 1,060,892. 2, Alvin Robertson, San Antonio, 378,557. 3, Johnny Moore, San Antonio, 248,752. 4, Norm Nixon, L.A. Clippers, 303,904. 5, John Lucas, Houston, 299,875.

المكتبة من الأهرام

Charlie Chaplin, Gossip, Clairvoyants and the FBI

By Irvin Molotsky
New York Times Service

WASHINGTON — In preparing his latest biography, David Robinson, a British writer, asked the U.S. Federal Bureau of Investigation for its records on his subject. He was pleased that the FBI responded so quickly, within about nine weeks, and surprised by the extent of the federal investigations: 1,900 pages from bureau files on his subject, Charlie Chaplin.

It couldn't happen again, says Thomas H. Bresson, an official of the agency's records division. "We will not collect any information that is not relevant to our purpose," which he defined as investigations of violations of federal law.

Robinson was also astonished by "the degree of sloppiness and stupidity that many of the reports reveal," by the bureau's reliance on information on the comedian provided by the gossip columnists Hedda Hopper and Louella Parsons, by the bureau's seeming fascination with Chaplin's sex life and by exaggerated reports of the comedian's contributions to leftist causes.

The Chaplin files, Robinson added, indicate that the FBI collected "every possible thing" on Chaplin and maintained an interest in him until well after his death in 1977. But Robinson said what was in the file was "absolute rubbish" and contained no proof of the FBI suspicion, first publicized in the 1920s, that Chaplin was a Communist.

Today the bureau says the investigation of Chaplin, who lived abroad much of his life but toward the end returned to the United States to be honored for his work in films, was part of an era that it wants to put behind it. It cannot happen again, the bureau says.

Thomas H. Bresson, a deputy assistant director in the agency's records management division, said, "We will not collect any information that is not relevant to our purpose," which he defined as investigations of violations of federal law.

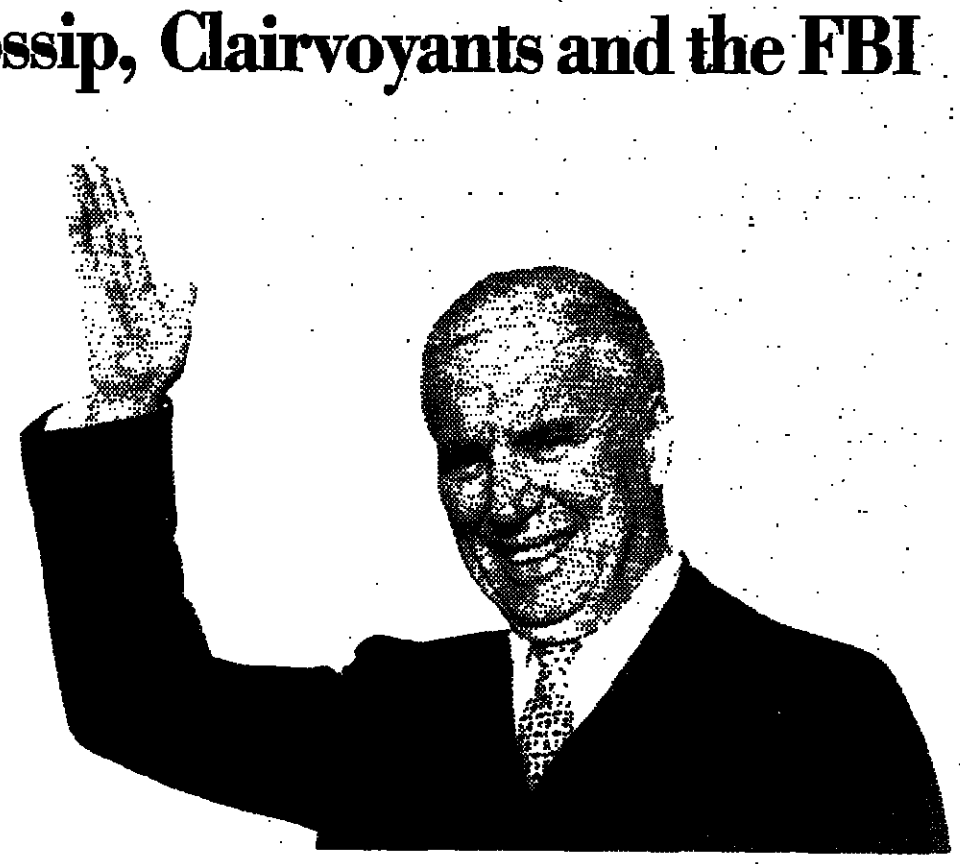
He suggested that the extensive Chaplin file was a consequence of the interest of J. Edgar Hoover, the longtime director of the bureau, in keeping abreast of such things. "We wouldn't be able to do something like that today," Bresson added, "because it doesn't relate to any investigative purpose."

Robinson, whose recently published book, "Chaplin: His Life and Art" (McGraw-Hill), was praised by reviewers, is the film critic of the London newspaper The Times. Reached at his London home, he said he had obtained the file through a request under the Freedom of Information Act filed for him by a New York lawyer, Charles L. Mandelstam, but had sought the material too late to include in his book other than as a brief appendix.

Robinson and Mandelstam, who represents some clients in the movie industry, said it would be interesting to see how the FBI had handled investigations of other celebrities. Does the FBI agree? Are there other files of celebrities as voluminous as Chaplin's?

"I don't know," Bresson replied, adding that files were not indexed by bulk. But he said the bureau was committed to following the letter and spirit of the Freedom of Information Act, making requested files readily available despite an already heavy flow of requests.

Chaplin makes his first appearance in his files on Aug. 15, 1922, when he attended a Hollywood reception for the American Communist leader William Z. Foster, whom Robinson describes as "a prominent labor leader," which he also was. The FBI report says that an agent named A. A. Hopkins reported that Chaplin spoke out at the reception against censorship of films.



The FBI file on Charlie Chaplin contained 1,900 pages.

The investigation of Chaplin's sex life included bugging his hotel rooms, and was spurred by charges by Joan Barry, a young actress, that Chaplin was the father of her unborn child. That investigation eventually filled 400 pages. A blood test taken after Barry gave birth showed that Chaplin was not the father.

The London-born comedian got into a dispute with U.S. immigration officials and chose to live from 1952 onward in Switzerland with his wife, Oona, the daughter of the playwright Eugene O'Neill. O'Neill had objected vigorously to the marriage in 1943 of his 18-year-old daughter to the 54-year-old Chaplin.

In 1972, five years before his death, Chaplin returned briefly to New York to accept a special Oscar from the Motion Picture Academy.

In reading the 1,900-page federal file on Chaplin, Robinson said he found that the exchange between the FBI and gossip columnists was a two-way street.

"The FBI was not only using the gossip of these viperish ladies as evidence," he wrote, "but was also feeding information to them." One such memorandum to Parsons carried the notation, "To be destroyed after action is taken and not sent to files," but it did find its way somehow into the files.

Asked if an exchange with gossip columnists could happen at the FBI today, Bresson said, "In current days, we are not in the habit of collecting gossip from anyone." Of feeding derogatory information to columnists, he said, "It is inconceivable in this day."

Robinson's Freedom of Information Act request showed that the FBI's interest in Chaplin reached beyond death, since the last entry occurred in 1978, after grave robbers stole his body from a cemetery in Switzerland on March 1 and held it for ransom.

The bureau's office in Maine received a report that a clairvoyant had said she envisioned Chaplin's body in a basement in West Germany, Robinson said, reading from the file. All of the clairvoyant's information was carefully taken down by the FBI.

"She stated that the body was stolen by two men and one woman," Robinson read. "She stated that one of the men was named Shooeman or Shooemann. However, she did not receive a good vision of this person and could not describe him further."

The information, stamped "Secret," was relayed to the FBI office in Boston, then to Washington and finally to Bonn, where the bureau's representative passed it along to the local police. The body was in fact in Switzerland and was recovered by the police on March 17.

Bresson was asked why the FBI had pursued a tip from a clairvoyant. "We were just a conduit, furnishing information," he answered. Does the bureau normally deal with psychics? "No, but in some investigations, we run them down. I wouldn't rule it out."

LANGUAGE

Secular Humanism and Flaky People

By William Safire

WASHINGTON — "Do you know what *secular humanism* is?" asked Norman Lear a few months ago in a letter.

A spokesman for Lear's People for the American Way says, "Trying to define *secular humanism* is like trying to nail Jell-O to a tree." The organization sought to show that the phrase has no widely accepted meaning and thus did not belong in legislation.

Definitions do vary. *Secular humanism*, to the evangelist James Kennedy, is a "godless, atheistic, evolutionary, amoral, collectivist, socialistic, communistic religion" posing a threat to schoolchildren. To Michael J. Rosenberg, editor of Near East Report, "*Secular humanist* has become the new label employed to indict anyone who opposes school prayer, believes in evolution, or disagrees with the religious right's views on abortion." Roy R. Torcaso, an outspoken atheist who was plaintiff in the 1961 case in which the phrase was popularized, and is one of the few people who still calls himself a secular humanist, cites the definition given by Corliss Lamont in his book "The Philosophy of Humanism," "joyous service for the greater good of all humanity in this natural world and advocating the methods of reason, science and democracy."

I would describe most secular humanists as ethical atheists who try to do good without believing in God. But that is not "the" definition, as many humanists are agnostics, and some who accept the label are churchgoers. No pop lexicographer can lay down the law on what the phrase means; I can only report what disputants say it means, and put forward a definition that encompasses its different senses.

In 1984, Senator Orrin G. Hatch of Utah wrote a paragraph in an education bill saying that federal money for magnet schools may not be used "for courses of instruction the substance of which is *secular humanism*." Last year, the U.S. Department of Education decided not to define the term, but to leave its definition up to local schools. That raised a further ruckus. Hatch's spokesman explained the intent of the original phrase in the legislation was to make sure that magnet schools improve their curriculums and not get into "soft stuff" such as personal values or courses in lifestyles; the controversial phrase was dropped in the current legislation. The civil-liberties groups, and Lear, won this round.

The phrase was probably taken from a footnote in the decision written in 1961 by Justice Hugo L. Black in Torcaso vs. Watkins, which in turn was taken from an amicus brief in that case written by Joseph L. Blau, professor emeritus of religion at Columbia University. The footnote's point: "Among religions in this country, however, which do not teach what would generally be considered belief in the existence of God are Buddhism, Taoism, Ethical Culture, Secular Humanism and others."

Go back further, to 1952, and an essay by C. Wright Mills: "Liberals have repeatedly articulated a secular humanism, stressing the priceless value of the individual personality." The first citation in Merriam-Webster's files is from a religious work in 1933, William G. Peck's "The Social Implications of the Oxford Movement," in which secular humanism is opposed to Catholicism: "In face of this *secular humanism*, the return of the Oxford leaders to Catholic doctrine and practice necessarily signified a criticism of the se[illegible] standpoint, and the provision of a pos[illegible] alternative."

How does this etymology help us understand t[illegible] furor raised by the phrase?

Secular is an adjective that means "worldly, n[illegible] religious or other-worldly"; *humanism* is "a conc[illegible] for the human condition." The modifier *secular* [illegible]phasizes the nonreligious character of the fuzzy n[illegible] *humanism*. I think the phrase was construed b[illegible] growing number of clergymen, especially evangeli[illegible] to be a euphemism for *atheism*.

No doubt, a goodly number of secular hum[illegible] are atheists; to them, however, the phrase sub[illegible] atheism in a much broader philosophy of [illegible] values stressing individualism, acting rightly u[illegible] vated by the fear of God or promise of Heaven.

That broadening made *secular humanism* an [illegible] more inviting target to preachers than atheism, [illegible]cause "godlessness" had been denounced so heatedl[illegible] for so long. Here was a way to slam opposition t[illegible] prayer in schools, to castigate sex education in schools to blast abortion — all potent social issues — whil[illegible] mixing in disapproval of the drug culture, permissiveness, pornography, short skirts and live-in lovers, and tying all these in to a rejection of belief in God. The target was Heaven-sent, or heaven-sent, as you prefer.

People who disagreed with many fervent religionists on one or more of the social issues but who firmly believed in God, resented being lumped in with atheists and all the others. They saw *secular humanism* as a linguistic bludgeon, a chance to beat over the head all who oppose "the religious right" with a club incorporating all the issues.

That's what the fight over a phrase is about. *Secular humanism* may be defined as: 1. a philosophy of ethical behavior unrelated to a concept of God; 2. a characterization of an emphasis on individual moral choices as having the common denominator of atheism; 3. an attempt to besmear political opponents by impugning their faith in God.

It's a bare-knuckles fight, and etymology, lexicography and semantics are right in the middle of it.

PRESIDENT Ronald Reagan in a news conference called the Libyan leader, Moamer Qadhafi, "flaky."

Although Shakespeare used the adjective in "Richard III" to describe the breaking of dawn — "and flaky darkness breaks within the east" — the word, in its current slang meaning of "off-beat, eccentric," was first reported by Leonard Koppett in The New York Times in 1964. Baseball players like Joe Pepitone, Jim Bouton and Phil Linz were said to be *flaky*.

The term appears to have replaced *kook* as a synonym for "nutty," although, as Reagan pointed out, it is not used to mean "mentally deranged," a more serious affliction. It is sometimes spelled *flakey*, to ensure pronunciation with a long *a*, to differentiate it from *flak*, meaning "criticism."

The last time *flaky* was used politically was in derogation of Governor Jerry Brown of California, who responded vigorously by denouncing those in favor of building bigger nuclear power plants: "They are the flakes."

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